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CONFIDENTIAL.

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PART II.

EASTERN DEPARTMENT:

SECRET SERIES.

April to June 1911.

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CONFIDENTIAL

Eastern Department : Secret Series.

PART II.

[12008]

No. 1.

Sir G. Barclay to Sir Edward Grey.—(Received April 1.)

(No. 107.)

(Telegraphic.) P.

Tehran, April 1, 1911.

RAILWAYS. Reference to your telegram No. 96 of the 29th March.

I have the honour to report that I announced that I was presenting an application to Persian Government for the option for the concession both to the Regent and to the Minister for Foreign Affairs yesterday. At the time no objection was raised, but last night I received a message from Mohtashem-es-Sultaneh urging me to defer taking action for the time being. His Excellency feared that the particularly conciliatory attitude that His Majesty's Government had of late shown towards Persia would be attributed to the ulterior motives of the railway concession if application were presented at this moment. This ground does not appear to me to warrant further postponement and as no more favourable opportunity occurs likely to present itself, I am to-day sending in the note in question.

With regard to the proposed joint discussion on railway construction in Persia with the Regent and M. Poklewski, I have informed the former that I am ready to fall in with his suggestions, and his Highness has now broached the subject to my Russian colleague, who is consulting his Government. Nasr-ul-Mulk wishes the discussion to have a private and secret character.

Subject to your approval, I would propose to instruct Colonel Cox to cause Sheikh Kha'zal to be forthwith informed that application for the option for the railway concession has been made.

[12035]

No. 2.

Sir G. Louther to Sir Edward Grey.—(Received April 3.)

(No. 205.)

Sir,

Constantinople, March 28, 1911.

WITH reference to my despatch No. 183, Confidential, of the 22nd March, concerning the Bagdad Railway-Koweit, &c., negotiations, I have the honour to enclose translation of an article by Hussein Djahid Bey, commenting on one in the "Times" of the 23rd March. The idea underlying his remarks is to suggest that His Majesty's Government and the Opposition do not see eye to eye on the questions at issue, and that, while the former are inclined to advocate the settlement desired by Turkey, the latter are inclined to take up a less friendly standpoint in the matter. He denies that an increase in Turkey's strength in the Persian Gulf regions would endanger British political interests, and goes out of his way to point out the "obvious error" in thinking that Turkey is likely to have any designs on India.

I have, &c.

GERARD LOWTHER.

[1501]

B

Enclosure in No. 2.

Extract from the "Times" of March 28, 1911.

THE "TIMES" ARTICLE.

(Translation.)

IN passing judgment on statements in the "Times," one must always remember that that newspaper holds political views opposed to those of the British Cabinet. The "Times" supports the Conservative leaders, such as Lord Curzon and Lord Lansdowne, on the Bagdad Railway question, and blames the Liberal Government for not acting with sufficient firmness and severity. What angers the "Times" most is that criticism should be directed against the rejection of the proposal made to England in 1903.

At that time the Conservatives were in office. The Germans invited British capitalists to take part in the Bagdad Railway construction; but the proposal was rejected by the Conservative party, on the ground that the line would be opposed to British interests. In this there was also the idea that the Germans would be unable to accomplish the task unaided.

Lord Morley's statement that the apprehensions of 1903 were unjustified moves the "Times," the Conservative organ, to reply, and to defend the Conservative statesmen. Our object in giving this explanation is to prevent the views of the "Times" from being accepted as the point of view of the whole of England.

In a recent article the "Times" said that the British Government was to blame for not preventing the encroachment made by Ottoman troops on part of Koweit territory, and urged the Cabinet actually to interfere in case of need. The difference between the "Times" violent language and Sir E. Grey's refusal to accept the expression "right of protection over Koweit" will doubtless not escape the attention of Ottoman public opinion.

It is clear that no change has taken place in the Conservative point of view since 1903; it is clear that the Bagdad Railway is still regarded by them with an eye of displeasure. The "Times" says so openly; it argues that this railway is a source of danger to England and that it offers her no advantage.

In our opinion the Bagdad-Bussorah line can never constitute a danger to England. Since—as the "Times" admits—she has no intention of seizing territory in the Persian Gulf or Irak, an increase in the strength of Turkey in those regions can never endanger British political interests. We are convinced that they themselves do not seriously believe that an increase in Turkey's strength in the Persian Gulf would constitute a menace to India. To think it likely that we have designs on India and to put that forward as a serious consideration is an obvious error; therefore an increase in Turkey's strength in Irak can never be a menace to British political interests. As to British commercial interests: will British trade profit more if the Bagdad Railway is built without the participation of British capitalists?

Had it been impossible to construct the Bagdad-Bussorah line without England's consent, it would have been reasonable to propose onerous conditions; but as the line can be built and taken to an undisputed harbour on the Persian Gulf, whether British capital participates or not, England's interest, if she wishes to safeguard her rights there, is to participate in the construction and take a share in the line.

How mistaken the "Times" point of view is, is proved by such statements as this: "We should have liked to do a service to two friendly nations; but we cannot do so without knowing what advantage we are to gain." Now neither Turkey nor Germany ever asked for a service or a favour. Out of consideration for England's great commercial interests, we applied to her to show that we did not wish to harm those interests, and to prove that it was a very precious hope with us to maintain friendly relations with her; we made explanations to clear away England's doubts and apprehensions, and desired to know her point of view.

It must not be forgotten that the door of negotiation has been opened, and that during the course of discussion no words should be spoken, no demands made, which are wounding to the *amour-propre*. The friendly attitude and conciliatory policy taken up by the English Cabinet is a source of satisfaction. As the Liberal Cabinet has before it the real state of the question, we can see no point favourable to British interests in the "Times" criticisms of the Cabinet. We hope the "Times" realises that the Bagdad Railway question, is not the Koweit question nor the question of the 4 per cent. customs increase.

[12059]

No. 3.

Sir G. Buchanan to Sir Edward Grey.—(Received April 3.)

(No. 78.)

Sir,

St. Petersburg, March 29, 1911.

I HAVE the honour to transmit herewith a copy of an *aide-mémoire* communicated by the Ministry of Foreign Affairs, in which the Russian Government express their views on the proposal of His Majesty's Government to apply for a concession for a railway from Mohammerah to Khorembad.

The *aide-mémoire* was sent to me by the Acting Minister of Foreign Affairs in a private letter, in which his Excellency says that I may conclude from its terms that his Government raise no objection to the British proposal.

I have, &c.

GEORGE W. BUCHANAN.

Enclosure in No. 3.

Aide-mémoire communicated to Sir G. Buchanan, March 27, 1911.

SIR GEORGE BUCHANAN ayant fait part au Ministère Impérial des Affaires Étrangères de l'intention du Gouvernement britannique de faire des démarches en vue d'obtenir du Gouvernement persan une concession pour la construction d'une ligne ferrée partant de Mohammerah et se terminant à Khorembad, le Ministère Impérial a l'honneur de faire à l'Ambassade britannique la communication suivante:—

Etant donné que la ligne projetée se trouve sur tout son parcours dans la zone neutre de la Perse et qu'en vertu de l'article 3 de la convention du 18 (31) août, 1907, concernant la Perse, les deux Gouvernements se sont mutuellement engagés à ne pas s'opposer à la recherche de concessions dans cette zone par les deux parties, le Gouvernement Impérial ne saurait nier le droit du Gouvernement britannique de faire la démarche en question.

Toutefois, le Ministère se voit obligé d'attirer l'attention de l'Ambassade sur le fait que la ligne projetée dont le point terminus serait situé dans le voisinage immédiat de la ligne limitant la sphère réservée à l'influence russe, ne pourrait ne pas porter préjudice aux intérêts économiques que la Russie possède en Perse et que par suite il est à craindre que l'opinion publique russe n'accueille d'une façon extrêmement défavorable le fait qu'une pareille concession fût obtenue par l'Angleterre.

C'est avec plaisir que le Gouvernement Impérial prend acte en conséquence de la déclaration du Cabinet de Londres qu'il n'est question en ce moment pour l'Angleterre que de s'assurer la concession dont il s'agit et qu'avant de procéder à la mise à exécution de son projet le Gouvernement britannique compte entrer dans un échange de vues amical avec le Gouvernement russe afin de régler d'un commun accord toutes les questions se rattachant à la réalisation éventuelle de cette entreprise.

Le Gouvernement Impérial tient à offrir à l'Ambassade britannique ses meilleurs remerciements pour sa déclaration amicale certifiant que le Gouvernement britannique n'a pas d'objection à ce que des capitaux anglais participent à la construction par la Russie de lignes ferrées dans le nord de la Perse.

Saint-Petersbourg, le 14 (27) mars, 1911.

[12388]

No. 4.

Viscount Morley to Government of India.—(Communicated to Foreign Office, April 3.)

(Telegraphic.) P.

India Office, March 29, 1911.

RAS TANURA.

Please refer to your telegram dated the 17th instant.

Name of captain of British India vessel should be ascertained and reported to consul at Bussorah and to myself.

[12368]

No. 5.

Government of India to Viscount Morley.—(Communicated to Foreign Office, April 3.)

(Telegraphic.) P.
RAS TANURA.

India Office, April 3, 1911.

See your telegram dated the 29th ultimo.

Captain Owen of steam-ship "Megna" is name of British India Company's captain. Have informed consul at Bussorah accordingly.

[12008]

No. 6.

Sir Edward Grey to Sir G. Barclay.

(No. 101.)

(Telegraphic.) P.

Foreign Office, April 3, 1911.

YOUR telegram No. 107 of the 1st April.

I approve proposed instructions to His Majesty's consul-general at Bushire and the action you have taken in matter of proposed Mohammerah-Khorembad line.

[12280]

No. 7.

Mr. Mallet to Sir H. Llewellyn Smith.*

Dear Llewellyn Smith,

Foreign Office, April 3, 1911.

I SEND you, by Sir E. Grey's desire, a copy of a memorandum, prepared after our conference on the 30th March, setting forth the conditions on which His Majesty's Government might agree to the increase of the Turkish customs duties from 11 per cent. to 15 per cent. for a limited period.

Sir E. Grey feels that whether the terminus is at Koweit or at Bussorah, it would be inexpedient for His Majesty's Government to agree to the customs increase unless the status of Koweit had first been agreed upon by us and the Turks.

If we are sure of maintaining British control at Koweit, then *prima facie* it would seem advantageous that the terminus should be there, and if such control is to be secured there are serious drawbacks to admitting German participation, as it would involve the presence of German officials at Koweit, and would give Germany a voice in the concern of the Gulf. The port would, however, be administered in the interests of the railway and of international trade.

If we cannot secure control of Koweit, then we must reconsider our attitude towards British participation in the railway, with its terminus at Bussorah, but in any case, as stated above, we could not assent to the customs increase or favour such participation unless the status of Koweit had first been regularised.

There is an article by Lovat Fraser in the April number of the "National Review," contending that it is to our interest, on strategic grounds, that the terminus should be at Bussorah, and not at Koweit. Sir E. Grey is inclined to think that if we had real control at Koweit we could prevent the establishment of a naval arsenal there if it should ever be attempted, and that we could in any case render such an arsenal useless by barring the entrance to the Gulf (see report by the interdepartmental committee which sat here in the autumn of 1907), but he proposes to consult the Admiralty and the War Office on the point.

With regard to the collection of customs at Koweit, Sir E. Grey would be glad to learn the views of the Board of Trade.

I am, &c.

LOUIS MALLET.

* Also to Mr. Hirtzel (India Office), *mutatis mutandis*.

[12463]

No. 8.

India Office to Foreign Office.—(Received April 4.)

Sir,

India Office, March 29, 1911.

I AM directed by the Secretary of State for India to acknowledge the receipt of your letter of the 16th instant on the subject of the Bagdad Railway and connected questions, and in reply to enclose copy of telegrams* exchanged with the Government of India.

2. Since your letter was written a convention has been signed between the Ottoman Government and the Anatolian Railway Company, whereby the latter relinquishes its concession for the section between Bagdad and the Persian Gulf on the understanding that it receives in a new company to be formed a share not less than that of any other non-Turkish Power, and subject to a claim to be indemnified for loss arising out of construction expenses guaranteed on that section. The conclusion of this convention no doubt facilitates the opening of negotiations between this country and Turkey. It also, in Viscount Morley's opinion, removes all inducement to open them.

3. When the written proposals of the Turkish Government were received it was understood that they were not final, but were of a tentative nature, and did not exclude the hope that more favourable terms might be obtained for this country. To any such hope the door is apparently closed by the new convention. It is not probable that in an international company to be formed for promoting a railway on Turkish soil Turkey will consent to reduce her share below the 40 per cent. proposed, and if that is so, unless France is to be practically excluded, it is arithmetically impossible for Great Britain to obtain more than 25 per cent. In 1909 the total trade of Bagdad was 2,918,120*l.*, of which 1,954,000*l.* belonged to Great Britain and India, or about 67 per cent.; 237,739*l.* to France, or about 8 per cent.; and 65,349*l.* to Germany, or less than 2½ per cent. Comment on these figures is unnecessary, and Lord Morley believes that no Government that consented to permit the increased customs duties in return for participation upon these terms, or upon any terms at all resembling them, could stand before the criticism that would be invoked.

4. This view—in which there is, no doubt, an element of sentiment—is confirmed by an examination of the question on its merits as a matter of business. From this point of view I am to observe that, apart from providing profitable scope for British capital (which is not without scope elsewhere and is not likely to be attracted to an enterprise in which it will have to begin by paying an indemnity to the original concessionnaires), the sole measure of the advantage of participation is the control that it affords; and the degree of control afforded by a 20 per cent. or even 25 per cent. share is illusory. Nor, on the other hand, does it appear that we stand to lose commercially by non-participation, since, if it is possible to prevent the imposition of differential rates by either of the extraneous means suggested in your letter (a point on which Lord Morley would be glad to know the views of the Board of Trade), it is no longer necessary to secure any voice at all in the management of the company; while, whether it is possible or not, we must look more and more (Lord Morley is convinced) to the Mohammerah-Khorembad line, if we can secure it, for the extension of our trade in Western Persia—the more so as trade by the Bagdad route will, if the increased customs duties are to be the price of British participation, in future be penalised to the extent of approximately 48,000*l.* a-year.

5. It would appear, therefore, that no commercial advantage is to be anticipated from participation, and Lord Morley is of opinion that, when it is realised that it is no longer possible for the section to be a predominantly British undertaking, that the British share in it is not likely to exceed at the outside 1,000,000*l.*, and that for the privilege of lending this sum to an international company British trade is to be taxed between 300,000*l.* and 400,000*l.* a-year, no desire to participate in it will be found to exist in financial circles in this country. The conclusion to which he is driven is that for the present it is desirable on commercial grounds to stand aloof.

6. Political considerations appear to point in the same direction. His Lordship does not overlook the arguments stated in paragraph 10 of your letter under reply. But these arguments centre round Koweit, and it is precisely Koweit which—if it is to be the terminus—Turkey cannot afford to give up on the

* To Governor-General, March 18, 1911 [10456]; Governor-General, March 23, 1911 [10801].

only terms which we can afford to accept; for alike in the official Turkish proposals, and in the remarks of Djavid Bey reported in Sir E. Grey's despatch to Sir F. Bertie, No. 90, of 14th instant, it is laid down that the terminus must be at a place under Turkish administration. While, therefore, Lord Morley regards a solution of the Koweit difficulty as worth the price of considerable concessions, provided that the conditions stated in my letter of the 3rd March are secured, he is inclined to think that from the Turkish point of view such a solution is necessarily inconsistent with the location of the terminus at that place. And if the terminus is to be elsewhere, Koweit loses much of its importance, and the price proposed is far too great to pay.

7. Judging the question, therefore, as Sir E. Grey invites him to do, "on its merits, and apart from the general effect of non-participation on the international situation," Lord Morley holds that the balance inclines markedly to non-participation, and he concurs in the conclusions indicated in the last two sentences of Lord Hardinge's telegram.

8. It therefore appears to him that every effort should now be made to obtain the Mohammedan-Khorembad concession, and that in the meantime the Turks should be informed in the friendliest terms that His Majesty's Government are unable to accept their proposals regarding the railway, and that, after careful examination of the situation (profoundly modified as it has been by the recent convention), they have come to the conclusion that the extension of the line to the Gulf is not worth to them the price which they are asked to pay; and as they do not require the extension in the interests of their own trade, they do not think it necessary to put forward counter-proposals. The fact that the company have relinquished their claim to the increased customs duties makes it the more easy to adopt this attitude, since the refusal of His Majesty's Government to consent to them will no longer wear the appearance of hostility to the railway. Lord Morley would propose that His Majesty's Government should then wait and see the effect of this communication; but he would urge now, as he urged in October last, that the further advance of Turkish pretensions at Koweit and in the Gulf must be resisted by all means in our power, and that it should be given to the Turks to understand that this attitude will only be relaxed when British interests are adequately recognised. In view of the Turkish action in respect of Bahrein reported in Sir G. Lowther's telegram, No. 66, of the 25th instant, it seems highly desirable that this should be made clear at the earliest possible date.

9. His Lordship is, however, not unaware that this question cannot be treated entirely as a local matter, but that it must also be considered in connection with our relations with Germany. But that is a subject of which this Office has no immediate cognisance, and he therefore confines himself to remarking—

(1.) That a friendly agreement with Germany appears to him essential before a satisfactory settlement of the Bagdad Railway question can be arrived at, and indeed before the subject can profitably be discussed with Turkey;

(2.) That the ostensible relinquishment by Germany of the concession for the Gulf section makes it easier for His Majesty's Government to refuse to facilitate the construction of that section, since such refusal can no longer be interpreted as an unfriendly act to Germany;

(3.) That, unless the new convention is of a conditional nature, it is more than ever in the interest of Germany that the Gulf section should be expedited since, until this is done, the German company will not receive the indemnity which they are understood to require in order to cover the construction expenses of the more expensive sections of the line.

10. A further communication will be addressed to you in regard to paragraph 17 of your letter, when the necessary information has been received from the Government of India.

I am, &c.
R. RITCHIE.

[12458]

No. 9.

Lord Grimthorpe to Sir Edward Grey.—(Received April 4.)

My dear Grey,

80, Portland Place, April 3, 1911.

I MUST apologise for troubling you again, but I am obliged to do so in justice to myself. Mr. Williams writes that he has been prevented from concluding negotiations with the Russian Finance Minister (1) because the Foreign Office have stated that he was only my agent, (2) because I have been a director of a "freak company," presumably Steele, Lockhart, and Co., as it can be no other. As to the first point, I have already stated that Williams is not only an agent, but a principal and a large shareholder in the 300,000l. syndicate, which has been formed to deal with Russian business; as to the second point, it is perfectly true that I have been a director of Steele, Lockhart, and Co., but am so no longer, for the reason that, not being satisfied with the way in which its affairs were managed, I retired from the board. Steele, Lockhart, and Co. are now in voluntary liquidation, and all its debts will be paid in full, so that I think it rather hard that I should suffer loss and discredit on its account.

I am sure you would not wish to do me an injustice. I am only associated in business with upright and honourable people. I have always met all my obligations, and no one has ever lost a sixpence through me. The moment I found that some of the methods of Steele, Lockhart, and Co. were not such as I could approve of, I refused to have anything more to do with it, and even in that company it was more the atmosphere that I disliked than anything they actually did, which is proved by the fact that all its creditors and shareholders will be paid in full, and that no one has so far brought forward any cause for complaint against it. I hope therefore that things may be put right at St. Petersburg, as it is not fair that I should suffer through faulty information.

Yours very truly,
GRIMTHORPE.

We have bought and paid for the forest in Manchuria.—G.

[12894]

No. 10.

Government of India to Viscount Morley.—(Communicated to Foreign Office, April 6.)

(Telegraphic.) P.

March 25, 1911.

FOLLOWING are our views in reply to questions contained in last paragraph but one of your telegram dated the 18th March, regarding Koweit:—

1. Our obligations extend, in our opinion, to the limits of territory of sheikh.
2. To the best of our knowledge, Lorimer has fairly accurately defined the limits of that territory, especially as regards portion to the north.
3. Retention of Bubiyan and Warba for the sheikh is regarded by us as important. Repeated representations were made to the Turkish Government on subject of Turkish action in occupying Bubiyan in 1902, which was a departure from their engagement to maintain *status quo*. India Office was, moreover, informed in November 1907 that, in Sir E. Grey's opinion, sheikh's jurisdiction over Bubiyan should, on grounds stated by Government of India with so much force, be resolutely supported by His Majesty's Government.

It should be remembered, with regard to Warba Island, that right of pre-emption in sale or lease of entire island and its surrounding foreshore was secured by us from sheikh in our agreement with him concluded in 1907. This cannot fail to be regarded by sheikh as an admission by us of his claims to Warba. We could not press sheikh's claims to Um Kasr, which are shadowy.

[12894]

No. 11.

Viscount Morley to Government of India.—(Communicated to Foreign Office, April 6.)

(Telegraphic.) P.

India Office, March 31, 1911.

KOWEIT. See your telegram dated the 25th March.

Reference is invited to telegram dated the 14th October, 1902, from Secretary of State. Please say whether message referred to in letter dated the 11th December, 1902, from Resident, Persian Gulf, communicated definition to sheikh, and, if so, whether your view as to extent of our obligations is affected by this.

[12894]

No. 12.

Government of India to Viscount Morley.—(Communicated to Foreign Office, April 6.)

(Telegraphic.) P.

April 6, 1911.

KOWEIT. See your telegram dated the 31st ultimo.

We did not overlook the point referred to by you. Communication to sheikh of definition may be assumed to have taken place. This, however, does not affect view expressed in my telegram dated the 25th March, as it only referred to our pledge to defend the sheikh against Ibn Rashid, by whom the immediate neighbourhood of Koweit was being threatened.

[13381]

No. 13.

Sir Edward Grey to Sir F. Bertie.

(No. 123.)

Sir,

Foreign Office, April 6, 1911.

M. CAMBON having told Sir Arthur Nicolson that Count Benckendorff had spoken to him of the desire of Russia to participate in the railway from Bagdad to the Gulf, in order to show that the good understanding between England, France, and Russia had not been upset by the Potsdam negotiations, I took an opportunity of discussing the matter informally with M. Cambon to-day, Sir Arthur Nicolson being also present.

I observed to M. Cambon that I appreciated the good political intentions of the Russian Government, and the value of what they wished to demonstrate. On the other hand, the Russian suggestion would complicate the negotiations exceedingly. Supposing that France was to have a 20 per cent. share in the Bagdad-Gulf section, Russia 20 per cent., and England 20 per cent., and that, in addition, France was to have what she desired with regard to the Syrian railways, part of the Hedjaz Railway, railways in the north of Asia Minor, and the Danube-Adriatic Railway, while Russia had the abnegation of German projects in the Russian sphere in Persia, in such circumstances British public opinion would say that, as France and Russia had these things in addition to a share in the Bagdad-Gulf section equal to ours, we should also get something in addition. My idea was, therefore, that we should not participate in the advantages which France and Russia were to get elsewhere, and that they should not participate in the Bagdad-Gulf section, but allow us to make the best bargain we could with regard to this. We have hitherto asked a share of at least 50 per cent., and if we got this the rest of the section must, I supposed, go to Germany under the German arrangement with Turkey.

M. Cambon said he entirely understood our difficulty. He had told Count Benckendorff that the question as to whether France should participate in the Bagdad-Gulf section was one which concerned us alone. She would participate if we wished her to do so, but she did not regard it as her affair. He was impressed by the desire of the Russian Government to retrieve the blunder which they had made at Potsdam, and he took the same view as I did of their political intentions in the matter, but it was very difficult for them to undo what they had done at Potsdam. He had also pointed out to Count Benckendorff that the consent of Turkey was necessary to Russian participation.

I observed that I had warned Count Benckendorff from the beginning that, while M. Sazonow should reduce as much as possible the difficulties in which he had become entangled at Potsdam, he should not break off the agreement made there with Germany,

because the Khanikin-Tehran branch and the other inconveniences in the arrangement were not serious enough to justify a political quarrel between Russia and Germany, which would suit neither Russia nor England, and which I assumed would not suit France either.

M. Cambon asked whether he might tell Count Benckendorff, who was not instructed to make any proposal formally, that I would talk over the matter with him.

I replied that I would do so next week; but I hoped that M. Cambon would explain the difficulties to him, as I should have to point them out to him when he came.

I am, &c.

E. GREY.

[11420]

No. 14.

Sir Edward Grey to Sir G. Louther.

(No. 94.)

Sir,

Foreign Office, April 6, 1911.

I HAVE received your Excellency's despatch No. 190 of the 23rd ultimo containing a document described as "practically the text" of the declaration of renunciation by the Bagdad Railway Company of the sections of the line between Bagdad and the Persian Gulf.

I notice that the company reserves a right to make a claim in respect of this renunciation not, as reported in your Excellency's telegram No. 70 of the 29th March, on the "working expenses" guarantee but on account of construction. The point may be of considerable importance in connection with possible financial negotiations, and if your Excellency has any reason to believe that there may be a claim on account of working expenses, which seems highly improbable, as well as on account of construction, I should be glad if you would furnish me with early and precise information on the point.

I am, &c.

E. GREY.

[12897]

No. 15.

Lord Grimthorpe to Sir Edward Grey.—(Received April 7.)

My dear Grey,

80, Portland Place, April 5, 1911.

THE Foreign Office have shown me so much kindness and consideration, for which I am exceedingly obliged to you, that I am very much troubled by the idea that my association with Steele, Lockhart, and Co. may have in any way prejudiced me in your eyes. I have therefore asked the solicitors of the company, Messrs. Salomon, to draw up a brief statement of its position, which I enclose. This statement is entirely accurate, and shows that I cannot justly incur any discredit by having accepted a seat on the board. The methods which I told you I disapproved of were those of the managing director, in connection with business outside the company. It was in consequence of this that I decided to retire, as I saw that they were injurious to the company, but the company itself has done nothing to which any exception could be taken. I hope that I have now made this matter clear, and trust that I may have removed any doubts that entirely unfounded rumours may have created in your mind.

Yours very truly,

GRIMTHORPE.

Enclosure in No. 15.

Statement respecting Messrs. Steele, Lockhart, and Co. (Limited).

THIS company was incorporated on the 28th September, 1908, practically as successors to the old-established South African indent merchants, Steele, Lockhart, and Co.

[1501]

D

This firm, side by side with their business of indent merchants, assisted in the financing of many first-class undertakings, such as the Goldfields of South Africa and the South African Gold Trust, and not long before the formation of the company successfully floated the Egyptian Trust and Investment Company, which offered 200,000 shares, for which 11,000,000*l.* was subscribed.

They also, amongst other companies, floated the F.I.A.T. Motor Car Company (Limited).

It was considered that in limiting the liability of the firm it would facilitate the inclusion of some important gentlemen who would otherwise not have been willing to join it. Amongst others, Lord Ribblesdale, Sir James Crichton-Browne, Sir Valentine Grace, Lord Grimthorpe, and Mr. G. C. Howard, the well-known and rich stockbroker, subscribed a substantial amount of its capital on the memorandum of association.

The company after its incorporation investigated a number of financial schemes, some of which had been negotiated by the old firm, notably the construction of the Rambla Sud for Monte Video, and it is the fact that the very large nature of this business prevented them from taking up many other important undertakings.

The contract for the Rambla having been secured, and an interest in the company secured therein to Steele, Lockhart, and Co. (Limited), and their capital having been exhausted for the moment by reason of their expenditure in this large undertaking, it was determined that the company should be voluntarily wound up, and their debts paid in full out of their assets.

So far as we are aware the business of Steele, Lockhart, and Co. (Limited) was conducted on perfectly proper lines, and we should be surprised to hear that any possible suggestion to the contrary could be made by anyone having business dealings with it.

[12831]

No. 16.

Admiralty to Foreign Office.—(Received April 7.)

(Confidential.)

Sir,

Admiralty, April 6, 1911.

WITH reference to your letter of the 21st ultimo, relative to reported attempts by the German Government to secure a lien on Ras Tanura, I am commanded by my Lords Commissioners of the Admiralty to acquaint you, for the information of the Secretary of State for Foreign Affairs, that Ras Tanura is the southern extreme of a long strip of sand in some places only 100 yards wide which forms the northern shore of Al Katif Bay; it has some sandhills on its seaward side.

The passage off the extreme of the Ras is about 5 miles wide, and is clear of all dangers. Anchorage with good shelter for small vessels of 16 feet draught may be found close inside the westward of Ras Tanura, the holding ground here being reported as very good; large vessels would have to anchor off the extreme of the Ras, where the depths are sufficient, but the holding ground is bad. The westward anchorage is used by Turkish Government vessels visiting Al Katif, and a coal depôt is maintained by the Turks near it.

The general approach to Ras Tanura from seaward appears to be free from dangers so far as the existing surveys show.

As the meaning of the word "Tanura" is "whirlpool," it may be assumed that strong tides exist in this vicinity.

Al Katif, which is an important coast town, lies west-south-west at a distance of 10 miles from Ras Tanura. The town can only be reached by boats drawing 6 or 7 feet, the principal approach being from the southward.

It is situated in an oasis of the same name, which extends 9 miles north and the same distance south of the town, and its depth from the coast inland is, on the average, 3 miles. The oasis is bounded on the north and west by a large desert tract. As a port Al Katif serves only the oasis on which it stands. The principal exports are dates to Bahrein, and most of the imports are of Indian origin. A Turkish garrison is stationed here, which in 1908 consisted of a detachment of fifty infantry.

The climate of the oasis is damp and unhealthy, and malaria is prevalent.

The total settled population of the Al Katif oasis was estimated in 1908 at 26,000, of which number 10,000 belonged to the town of Al Katif and its suburbs.

It would take a very large expenditure to make a harbour suitable for a railway terminus at Ras Tanura, and also to render the place more healthy.

I am, &c.

W. GRAHAM GREENE.

[12840]

No. 17.

India Office to Foreign Office.—(Received April 7.)

Sir,

India Office, April 6, 1911.

I AM directed by the Secretary of State for India to acknowledge the receipt of your letter, marked Confidential, of the 20th instant, regarding the proposed Trans-Persian Railway, and to forward, for the information of the Secretary of State for Foreign Affairs, copy of a letter, No. 18, Secret, dated the 23rd February, 1911, and enclosures, that has been received from the Government of India on the same subject.

The communication from the Russian promoters appears to add nothing to the information conveyed in Sir G. Buchanan's despatch No. 29 of the 31st January last, except the fact that they seem to think themselves justified by the attitude of the Russian Government in proceeding with the scheme. That attitude is described by the Russian Government themselves as follows:—

"The council was generally favourable to the proposal brought forward by the promoters of the enterprise that a special commission ('société d'études') should be instituted for a preliminary study of the question, on the understanding, however, that the realisation of the scheme shall not involve loss to the Russian Treasury or damage the economic interests of Russia.

"The decision of the Council of Ministers on this subject will take final shape as soon as the Ministers interested have arrived at an agreement."

And it has been added in conversation that the only financial support that the enterprise would receive from the Russian Government would be a certain share in any surplus profits that might accrue to the State railways from increased receipts due to the transit traffic in goods and passengers through Russia. Sir E. Grey expresses the hope that it may be possible for His Majesty's Government to adopt an attitude towards the scheme not less favourable than that of the Russian Government.

It will be seen from the Government of India's letter and the papers enclosed therein that from the point of view of through traffic, whether of goods or passengers, a Trans-Persian Railway such as that proposed is thought to have no prospects of financial success, and, further, that India can hope to derive from the development of local traffic no commercial advantage at all commensurate with that which Russia may expect. If this view is sound—and I am to say that Viscount Morley concurs generally in it—the question arises, Why should India sacrifice all the strategical advantages of her geographical isolation in order to encourage a scheme which, whatever prospect of profit it may offer to her commercial rival, offers none to herself?

An indirect answer may perhaps be given to this question. It may be pointed out that with the advent of other Powers in Persia, seeking spheres of commercial if not of political expansion, the geographical isolation of India is necessarily doomed, and that it behoves those who are responsible for her interests to be foremost in the race for concessions, so as to ensure that such at least as may be strategically and politically essential to her security shall be in her own hands. One or more of these concessions would be for railway lines which, though their immediate purpose would be different, might, without disadvantage, form connecting links in a Trans-Persian Railway.

Lord Morley thinks this is, on the whole, a reasonable answer. But certain corollaries appear to follow from it:—

1. Whatever the alignment of the rest of the line, it is essential that that part of it which will be in the British sphere shall be determined solely with a view to Indian interests. The line must therefore, in Lord Morley's opinion, enter the British sphere at Bunder Abbas, and not at Kerman, and run along the coast of Kurrachee; and there must be a break of gauge at Bunder Abbas.

2. While the through line may be international as regards the financial interests admitted (and in this connection I am to observe that it will be neither possible nor desirable to exclude German capital), it is essential that the actual construction and

working of the section in the British sphere should be entirely in British hands; but there would be no objection to placing abroad contracts for a certain proportion of the materials and rolling stock.

3. It is practically certain that British capitalists will not entertain the scheme unless there is a Government guarantee in some form or another. And this raises a very important and difficult question of principle. Before dealing with that I am to observe, on a point of detail, that the proposed Russian guarantee appears to be illusory. It is true that in Sir E. Grey's despatch No. 78 to Sir G. Buchanan, dated the 14th March, Count Benckendorff is reported to estimate the profit on increased traffic on Russian railways at 4,500,000 roubles (about 475,000*l.*) a-year. Lord Morley is unable to conjecture upon what data this estimate is based, but it is obvious that if the view taken above be correct and the through traffic be not likely to pay, the increase of traffic in Russia itself must be of modest dimensions; and if the Government of India's committee are correct in thinking that the consortium have enormously over-estimated the gross earnings of the through line, the Russian Government's "guarantee fund" will manifestly be inadequate.

But, whatever view Russian financiers may take of it, British financiers are likely to require from their own Government some more substantial consideration. Lord Morley is not aware what are Sir E. Grey's views upon this subject, but it will be seen that the Government of India recommend that any financial responsibility undertaken by Great Britain should be equally shared between the Indian and British Exchequers.

This recommendation will call for serious consideration in view of the heavy expenditure already borne by India in providing for the defence of her frontiers. If those frontiers are made more vulnerable by a scheme of railway extension which Imperial policy and the attitude of His Majesty's Government towards the European Powers force upon the acceptance of India, her claims upon the Imperial Exchequer will be strong. But at present the railway project is only under examination, and it is reasonable to defer a decision in regard to the guarantee until the conclusions of the experts have been received.

Subject to these remarks, his Lordship agrees with the Government of India, and would suggest that the assent of His Majesty's Government should be given to the scheme in principle, and that application should be made for the concessions for blocking purposes as soon as the situation in Persia permits. The project can then be examined in detail by an expert body similar to the Russian "*société d'études*."

I am to add that Lord Morley is of opinion that it will not survive such an examination.

I am, &c.
R. RITCHIE.

Enclosure 1 in No. 17.

Government of India to the Earl of Crewe.

(Secret.)

My Lord,

Fort William, February 23, 1911.

WE have the honour to refer to Lord Morley's secret despatch dated the 4th November, 1910, and subsequent telegraphic correspondence on the subject of the scheme proposed by the Russian consortium for the connection of the European and Indian railway systems by the construction of a line from Baku to Nushki via Tehran, Kum, Kashan, Yazd, and Kerman.

2. As will be seen from the enclosed papers, the question of the attitude which India should assume towards the scheme has been fully discussed both departmentally and in consultation with our local advisers. In view of the diversity of opinion displayed in the preliminary discussion, we thought it advisable to appoint a representative interdepartmental committee to examine and consider the question in all its bearings and to advise as to the terms of the reply to be sent to your predecessor's despatch.

The conclusions of this committee, as will be seen from their report, are that the Government of India will be well advised to accept in principle the proposal of the Russian consortium, subject to the following modifications and conditions:—

(a.) That the point of junction of the main through route with the Indian railway system be at Kurrachee, and not at Nushki.

(b.) That the route from Yazd to Kurrachee be via Bunder Abbas and thence along the sea coast, subject to reconsideration as the result of actual survey.

(c.) That concessions be obtained for branch lines—

(i.) From Bunder Abbas or Charbar to Regan, Bam, and Kerman.

(ii.) From Mohammerah to Hamadan.

(iii.) From Mohammerah to Bunder Abbas via Khor Musa, Behbahan, and Shiraz.

(iv.) From Bushire to Shiraz and Ispahan.

(d.) That both the main and the branch lines in Persian territory be international, Russia and Great Britain holding a preponderating share and Persia being admitted to participate.

(e.) That the gauge of the line passing through British territory and the British zone be different from that of the line in the Russian zone, and that the break of gauge be at Bunder Abbas on the limit of the British zone.

(f.) That, in return for our co-operation in the main project, Russia should pledge herself not to entertain or support without coming to an understanding with Great Britain any proposal for a line in the neighbourhood of the Perso-Afghan border within the Russian or neutral zones.

3. We concur generally in these conclusions, except in regard to a few points as to which we find ourselves unable to endorse the recommendations of the committee. The first point relates to the proposed internationalisation of the branch lines. We agree that it will be desirable to internationalise any branch lines that may be constructed in the neutral zone. But we see no necessity for treating as international any branch lines which Russia or Great Britain may decide to construct in their respective zones. We would propose, therefore, to treat the proposed branch line from Bunder Abbas or Charbar to Kerman as a purely British project and to keep this question out of the negotiations with Russia, except in so far as her support may be necessary to enable us to secure a concession from the Persian Government.

4. Secondly, we do not endorse the proposal for a branch line from Bushire to Shiraz and Ispahan. Such a line would be a most difficult and most costly undertaking, and would at the same time be quite unnecessary either as a commercial project or as a bar to German enterprise, since the construction of a line from Bunder Abbas to Shiraz and Mohammerah would cause all the trade to pass through Bunder Abbas and Mohammerah and Bushire would entirely lose its importance as a port. Bunder Abbas could, we believe, be converted into a good port, while Bushire can never be a good port, since all the big ships have to lie out at a distance of 5 or 6 miles from the shore. Consequently, Bushire must in the end disappear as a trade centre and a railway to Shiraz would be useless.

Whether Shiraz should be connected with Ispahan or not is another matter. If the trans-Persian line passes through Ispahan, as proposed by the consortium, a branch to Shiraz would be advantageous from the Russian point of view, since it would provide railway communication with Shiraz which Russian trade would not otherwise have. In that case, we think that it would be desirable to make no mention of a branch from Shiraz to Ispahan at present. If, on the other hand, the trans-Persian line is to avoid Ispahan, as proposed by the Russian Government, it would be greatly to our advantage to have a connection with Ispahan, since our trade would be able to pour in from Bunder Abbas via Shiraz. We think, therefore, that it would be better to take no action in regard to this branch line until it is known more certainly whether the trans-Persian line is to pass through Ispahan or not.

5. Thirdly, we disagree with the committee as to the necessity for proceeding with the construction of the Mohammerah-Hamadan line simultaneously with the construction of the main line. Such a branch would be useless for practical purposes, since it would have to compete with the Bagdad-Khanikin line and Trans-Persian Railway. A line from Julfa to Mohammerah would have been useful as a counterpoise to the Bagdad Railway in the absence of the more comprehensive scheme now proposed, but it has quite lost its value now that the Trans-Persian Railway is to be the counterpoise. We think, therefore, that the Mohammerah-Hamadan concession should be obtained merely for the purpose of earmarking as against any attempt to connect the Bagdad Railway extension with the Gulf by this route.

6. Finally, we are not persuaded, on the information contained in the committee's report, that the practical difficulties of the alignment proposed by Colonel Cox (namely, from Yazd to Kurrachee via Kerman, Bam, Regan, Bampur, Sarbaz, and Kaj) are so

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serious as to make it necessary to adopt the more circuitous route via Bunder Abbas, and we have some doubt whether the latter route would prove acceptable to the Russian Government. We would prefer, therefore, to reserve our opinion as to the respective merits of the Yezd-Bunder Abbas-Kurrachee and Yezd-Kerman-Kurrachee alignments until these two routes have been examined locally by a railway engineer.

7. With these reservations we commend the committee's proposals to the favourable consideration of His Majesty's Government and have only to add that, in our opinion, it is very desirable, if the Trans-Persian Railway is to be made at all, that it should be commenced as soon as possible so that it may be completed some time before the Bagdad Railway. The line will then have acquired a certain amount of trade and traffic that would naturally fall to the line that is first completed.

8. We have made no suggestions as to the financing of the proposed line, as this is a matter which His Majesty's Government will probably wish to reserve for discussion in England. But we endorse the recommendation of the committee that any financial responsibility undertaken by Great Britain in connection with the project should be shared equally between the Indian and Imperial Exchequers.

We have, &c.

HARDINGE OF PENSHURST.
GUY FLEETWOOD WILSON.
J. L. JENKINS.
R. W. CARLYLE.
S. H. BUTLER.
SEYYID ALI IMAM.
O'M. CREAGH.
W. H. CLARK.

Enclosure 2 in No. 17.

Lieutenant-Colonel Cox to Government of India.

(Telegraphic.) P.

Bushire, December 20, 1910.

PROPOSED linking up of Russian and Indian railway systems by a line through Persia.

As I understand the position, we must now assume complete good faith on the part of Russia under the convention and abandonment of former designs on India. We cannot, therefore, take our stand on fundamental objections of Indian strategists against connection of Indian and Russian railway systems. If above premise is conceded, it seems to me that an attitude of mere benevolent neutrality will hardly suffice and might be dangerous, and that, having exercised right, which the promoters concede to us, of constructing the line from Kerman southwards, we should support the present proposal to the extent of co-operating in the thorough examination of project from business and engineering points of view.

But although the bogey of Russian designs on India is laid for the present generation, we cannot advisedly ignore the strategical aspect of the connection via Seistan altogether, and in this connection I cannot understand the dictum in letter from Indian Office to Foreign Office, dated the 23rd December, 1909, to the effect that the strategical objections are equally insuperable, whether the line proceeds from Kerman via Nushki or across Mekran and thence near the coast to Hyderabad. I submit that an alignment from Kerman via Bam, Rigan, Bampur, Serbaz, thence across the frontier near Kej, and so on to Kurrachee or Hyderabad would be infinitely less open to strategical objection and would also be a much more profitable line of country to tap. If the line actually touched the coast, it would do so in British territory at Gwetter or Pasni, or at Gwadar by arrangement with Muscat. Furthermore, this alignment would provide effective means for checking the arms traffic through Mekran, and for exercising influence with the Baluchistan chiefs connected therewith.

Assuming that we agree to co-operate, there remains the question of keeping Germany out of the neutral zone, and preventing her from profiting by a junction of the Bagdad Railway with the Anglo-Russian through route. Granted the good faith of Russia as regards designs on India, there is nothing to prevent a pro-German epidemic in St. Petersburg from encouraging Germany to undertake active enterprise in the neutral zone, and thus weaken our present predominant position therein. This contingency seems conceivably possible at the present time. The above considerations

seem to me to make it essential that we should stipulate with Russia that as an anterior condition of our co-operation in promoting the through route, she must first join us in obtaining a concession for the Mohammerah-Julfa line, and agree to commence the section from Mohammerah to Hamadan immediately she agrees to connect the Khanikin branch of the Bagdad Railway with the Russian system via Kermanshah. We should also stipulate that we simultaneously obtain a concession for a branch line in the neutral zone, firstly, from Mohammerah via Khor Musa, Behbahan, and Shiraz to Kerman; secondly, from Bundar Abbas to Shiraz; and, thirdly, from Bundar Abbas to join the through line at Bam. The latter connection should be built simultaneously with the main line, while the two former would merely be held for blocking purposes, and be taken in hand when occasion demanded. With above safeguards, and provided that commercial facilities for all be assured throughout the whole railway, I believe that both Indian and English trade would benefit and find new openings equally with Russian, and it cannot be supposed that the general effect of the railway would be to improve the administration, develop the country, and increase the capacity of the Persian market. The question of passenger traffic depends on amount to which cost and length of journey could be curtailed, but it may be presumed that at equal ratio there would be large increase of native Indian traffic with Europe. Without further study I do not feel able to offer useful views as regards question of division of management and control.

Enclosure 3 in No. 17.

Memorandum by the Director-General of Commercial Intelligence.

THE case is sent to me for such concrete facts as might enable the Government of India to estimate the probable effect on Indian trade of such a railway as is contemplated. The question put to me is not, as I take it, whether such a railway would help trade (of course it would) or be worth making on other grounds, but whether it would help trade in some sort of proportion to the expenditure. I have therefore thought it incumbent on me to go through all the available information with such speed as has been possible. I may say at once that I have failed to constitute any statistical data that would warrant any such estimate. At the best, any estimate relating to the future is of the nature of conjecture. If I were to set the data out here I should merely waste time and incur some risk of giving rise to conclusions, discussions or hypotheses that are wide of the mark. For if one presents a mass of figures that do not really illustrate the particular point to be considered, there is a danger that—qualify them as one may—some of them will stick. Briefly then, our information regarding the volume of trade conducted by India in the direction of Seistan and northwards under present conditions affords no indication whatever of the volume which that trade might ultimately assume in the presence of a railway, and under those conditions of civilisation that commonly follow a railway.

2. If any weight were to be attached to our returns, they must be held to discourage very strongly a project that involves large expenditure and other responsibilities. And while it might be argued that the discouraging character of our facts is due in part to unfavourable—and abnormally unfavourable—conditions not directly related to transportation, we have, on the other hand, been told by our consuls that some of the progress shown by the trade statistics of this region is to be ascribed to the temporary insecurity of some other routes.

3. I also think that the Board of Trade view of the value of the railway for trade purposes is much nearer the truth than that of Sir Henry MacMahon. In fact I agree generally with the Board of Trade. But then I really have no argument that I could oppose effectively to the local knowledge of Sir Henry MacMahon. And I agree with him that, having regard to the conditions under which it almost certainly would be constructed, the railway stands to do a great deal more for Russian than for Indian trade. Indian trade with Persia can be served best by railways from the seaboard. Otherwise we lose the benefit of cheap ocean carriage with its concomitant advantage of the establishment at the coast of an "entrepôt" that has many of the characteristics of a base in which trade can exercise a good deal of independence and mobility. An "entrepôt" or base that is half way down a pioneer line of railway is not the same thing by any means. It is always more or less a point "in the air." And if participation in this inland railway is to divert attention from the littoral lines (and it will be strange if it does not) such participation will be deplorable. I agree therefore

that the immediate construction of a line to the Gulf should by one means or another be assured. How it can be assured is another matter.

4. But if it can be assured, then we may—even while concerning ourselves primarily with trade—look at the new inland project with a wider view than can be obtained through the medium of trade statistics. We know that such concrete facts as are capable of exact measurement do not by themselves furnish an adequate gauge of the probable usefulness of a railway in a raw country. Nor do I think that anyone can have watched the course of Persian trade (and politics) for a number of years and have studied the greatly improved reports that are now furnished by our officers in those regions without noticing that most of the main impediments to progress of all sorts are precisely of the kind that give way before improved communications. It is not merely a matter of improved transportation; for we know that railway rates cannot always be made competitive with the charges for other forms of transport when the commodities to be handled are of comparatively low specific value, or such as do not call for much expedition in getting them to their market. But all those obstacles that consist in brigandage, official and unofficial, in the difficulties related to exchange and remittance, in the corruption and inefficiency of the courts, in the conditions of credit, in the uncertainty as to the identity, the real residence, and the solvency of one's buyer, in the long delay that occurs between the placing and the execution of an order, and in the impracticability of efficient supervision and control of the agencies in Persia—to say nothing of the general political conditions that affect other things as well as trade, all these obstacles must almost certainly persist until a railway opens the country up. In fact, it may be taken that until the country is so opened up the progress of penetration or assimilation cannot really begin and instability must continue. Under present conditions we are more or less shut out; but Russia has been able to make better progress than we. No doubt the new railway will serve her better than it will us, but it will serve us too, and on the whole it would, I think, create a greater likelihood of our getting even with Russia than can be said to exist at present. Even if it did not better our position relatively to that of Russia, is there any likelihood whatever that its prospect of doing so would be improved by delay? So far as the "man in the street" can see there is no such likelihood—quite the contrary. It is almost incredible that the more intimate "commerce," mercantile and social, that would attend the creation of a railway could fail to bring about some sort of assimilation of that part of Persia which is nearest our borders. I should imagine that from a political point of view this would be worth something even if the railway did not pay for a good many years. I should not expect it to pay in the literal sense until the process of assimilation had gone pretty far. For Indian trade comprises few commodities of such high specific value as would stand cumulative railway freights of a large amount, and I imagine that, in respect of these commodities, most shippers to and from Europe would prefer the greater security of transport by sea over routes that are well policed. Even in my time, the Constantinople express was held up once or twice in Europe when it was believed that it carried much treasure. As regards trade with Persia it is fairly certain that the risk would be accepted in respect of precious stones and of specie for settlement of debts: for the conditions on our side would be a great deal better than those now present. And it is very probable indeed that the railway would carry northwards substantial quantities of textiles (silk, wool, and cotton), sugar, tea, coffee, and sundry manufactures of fairly high specific value. But I hold that even for these the natural channel would be the Gulf, and the railway from the Gulf.

F. NOËL PATON.

December 31, 1910.

Enclosure 4 in No. 17.

Memorandum by the General Staff on the proposed Trans-Persian Railway.

THE General Staff are concerned only with the "probable effect of the scheme . . . on the strategic position of the Indian Empire."

In considering this strategic aspect of the proposal the General Staff wish to emphasise the fact that any material improvement of land communications towards or through the natural barriers which at present encircle the frontiers of India must involve a great increase to the military responsibilities of India and of the Empire. When discussing the strategic problem of a possible approach of Russian railways to Afghanistan Mr. Balfour stated:—

"If Russian strategic railways are allowed to creep closer and closer to the frontier which we are bound to defend, then this country will inevitably pay for its supineness by having to keep on foot a much larger army than anything which any of us can contemplate with equanimity. Foresight and courage can obviate these dangers, without foresight and courage they may come upon us; and if they do come upon us we shall be throwing upon our children, if not upon ourselves, the greatest military problem that has ever confronted the Government of this country."

The figures in Appendix (A) show the largely increased forces which Russia will be able to develop on the north-west frontier of India and Afghanistan as soon as the proposed line is completed.

2. It is true that our present friendship with Russia renders improbable any hostile act on her part against India, but that friendship cannot be regarded as permanent. As late as 1909 Major-General Gruloff, of the Russian General Staff, wrote: "the struggle between Russia and Britain for political supremacy in Persia has been postponed but not concluded." It is from this struggle that hostilities may ensue in future. The present *entente* therefore does not warrant the abandonment of sane and vigilant precautions.

It will be seen then that the previous military policy of India has been based upon maintaining its strategic isolation, so that attack becomes, if not impossible, at all events so difficult and lengthy an operation as to involve very great financial strain on the attacking power, and to ensure that before decisive issue is joined, the whole military strength of the British Empire will be available.

3. While it is the duty of the General Staff to emphasise the great strategic advantage of the natural barriers in the defence of India and the consequent disadvantage of piercing this barrier at any point by a railway, still it is fully realised that a through connection by railway from Europe to India is a development of civilisation which cannot be resisted permanently. The advocates of the scheme lay stress on choosing an alignment "for which its importance for transit is its very first consideration, everything else being secondary or auxiliary." At the same time, while safeguarding Russia's strategic requirements they recognise that some alignments, e.g., the construction of a line from Merv to Meshed, "would be strategically rather dangerous for the English." They evidently therefore anticipate difficulties on our part, and assuming that a line will ultimately be constructed, the problem becomes one of rendering it as strategically innocuous to India as possible, by finding some artificial obstacle which will in some measure take the place of the natural barrier which it is proposed to pierce, so that the strain thrown upon the military resources of the Empire in the event of foreign aggression may be neither too sudden nor too severe for them to bear. In the opinion of the General Staff such a substitute can only be found in making use of our preponderating sea power, as a means of control of the proposed line and in adequate fortification, at some distance from the frontier of India, of a naval base through which the proposed line must run.

4. So far in this memorandum the problem has been considered solely from the local point of view of the defence of India from aggression, but other factors of importance demand attention in connection with this aspect of the case.

5. It has been a cardinal point of our strategy to retain strategic control of the Persian Gulf. If any sea Power other than Great Britain should obtain preponderance or even a secure base in the Gulf, it is clear that the problem of the defence of Indian ports and the safety of transports bringing reinforcements from home would be at once made more difficult. A railway passing close to the littoral and under control of any other Power would afford that Power claims to a port on the Gulf which will be hard to resist. From the possession of a port to the formation of a fortified base will be a natural step.

6. Should Russia adhere "to her usual policy of cautious absorption" by a gradual occupation of the provinces of Herat and Afghan Turkestan, the highest authorities are of opinion that we should be forced at some period or other to adopt the Cabul-Candahar line in our plan of defence, and that action to cause the invader to evacuate Afghanistan would have to be taken elsewhere. Such action will be facilitated, if we can, by the selection of a suitable alignment for this railway and the permanent exclusion of any possible alternative alignment, cause Russia to expose to us a vulnerable point within reach of our sea power.

7. The approach of the Bagdad Railway to the Gulf gives another factor that requires consideration. If the Power exploiting that line succeeds in obtaining a terminus on the Gulf, the extension of the railway through Southern Persia towards India will

probably be pressed. Such an extension under the auspices of a Power potentially hostile to Great Britain will greatly complicate our strategic position. Advantage should be taken of the opportunity now offered of obtaining guarantees that such extension will be under our control.

8. Of minor importance is the consideration that the proposed railway through Persia must break gauge at some point, for the Russian and the Indian systems are on different gauges. This break of gauge will be the weak link in the advance of an enemy along that line. Hence the break of gauge should be under our control, and should be as far distant as possible from India.

9. If then the strategic disadvantages of the proposed connection are outweighed by other factors, the General Staff consider that the following conditions should be fulfilled:—

(1.) The line should be so located that it can be controlled by our sea power through a large portion of its length.

(2.) Measures should be included in the scheme which will impose an artificial obstacle to the advance of any hostile power along the line towards India as a substitute for the present natural barriers of mountains and deserts.

(3.) The complete control of the Gulf should be retained and secured to Great Britain.

(4.) Advantage should be taken of the opportunity to prevent the possibility of any third Power securing, at some future time, concessions on or near the Gulf littoral.

(5.) The break of gauge should be distant from the frontier of India and under the control of Great Britain and within reach of her sea power.

(6.) No connection between this line and either Afghanistan or Northern Baluchistan should be permitted.

(7.) The extension of Russian or Persian railway through Afghanistan should be more strongly resisted than ever.

10. To fulfil the first of these conditions it is essential that the railway line should follow the coast for a considerable portion of its length.

11. To comply with the second, the line must pass through some position suitable for the construction of a fortress of unquestioned strength and offensive power based on the sea.

12. To meet the third condition Bunder Abbas and Kishm Island must be controlled by Great Britain and garrisoned by British or Indian troops.

Further in conformance with the fourth condition the railway concession should stipulate that any branch lines to the Gulf should be made only with the consent of Great Britain and under guarantees that the ports will not be fortified by any other Power.

13. The various alignments are considered in detail in Appendix (B.)

It will be seen that the only alignment that offers suitable substitutes for the strategic disadvantage of the abandonment of the present policy of the strategic isolation of India is that via Yezd to Bunder Abbas (direct) and thence along the coast to Kurrachee. But this alignment is in itself very far from being a sufficient safeguard. Bunder Abbas must be fortified and garrisoned permanently by sufficient troops to prevent any attempt to secure it by a *coup de main*. Within the fortifications should be the break of gauge of the railway. It is by these measures, and by these measures alone, that we can prevent the construction of a through railway from Europe to India being accompanied by such strategic disadvantages as would demand a very large increase to our military forces both in India and at home.

14. It will be noted that in Appendix (B) reference is made to a proposal to construct a line from Kurrachee to Seistan. The General Staff consider that Seistan may become a place of great strategic importance in a campaign such as is now being considered. They desire to urge that its possession by us should be assured by the construction of this line simultaneously with that through Persia, and that the advantage of its possession by Russia, if they anticipate us, should be nullified by a decision never to extend the Nushki line to Seistan.

15. It remains to consider what will be the strategic position if these measures are given effect to. It will be seen from Appendix (A), that Russia can develop forces of great numerical superiority to those at our disposal. If rail-head of the trans-Persian connection is brought to Nushki, the ultimate victory of Russia can only be a matter of time. But if the alignment is brought through and controlled at Bunder Abbas, the position is far less unfavourable. For if, owing to the difficulties of moving large

forces far from railways and the slowness with which such railways can be constructed, Russia should attempt an advance on India along the trans-Persian Railway as a single line of advance, she would be confronted by a fortress based upon our whole sea power. The historical instances of the lines of Torres Vedras and of Port Arthur show the possibilities for the defensive in such a position. If she attempted an advance on the Herat-Helmand line combined with an advance on the trans-Persian alignment, Great Britain would have all the strategic advantage of interior lines. The proposed connection from Kurrachee to Seistan will enable Great Britain to occupy a strong flank position which Russia could not ignore. If neglecting the trans-Persian alignment, she were to advance on the Herat and Cabul lines alone, her interest in Persia would be open to our attack and our position in the theatres of Afghanistan would be strengthened by the Kurrachee-Seistan connection.

16. The commercial aspects of the scheme are not for the General Staff to consider, but it is permissible to point out that their proposals coincide with the views of the Board of Trade who consider that a line to a well-known Gulf port, preferably Bunder Abbas, is a *sine qua non*.

D. HAIG,
Chief of the General Staff.

January 3, 1911.

Appendix (A).

Summary of present Strategic Position.

In the strategical study of the north-west frontier of India it is calculated on the assumption that all forage required for transport animals can be obtained locally in the country and will not have to be brought from Russia, that the Russians can develop the following forces on the different lines of advance in the time stated in each case, from the date of Russian mobilisation commencing.

On the northern or Cabul line:—

	Men.	Remarks.
Two months—		
On the Oxus	38,000	
Four months—		
On the Ghor Plain	18,000	} Rail-head is advancing and supplies are being collected.
Tash Kurghan and Kunduz	14,000	
Deb Dadi	10,000	
Seven months—		
Kamard Doshi line	50,000	

After four months both sides have the maximum forces necessary concentrated in the front line and are consolidating their positions, collecting supplies and advancing rail-heads preparatory to a final advance in serious engagements. Where these will take place north of the Hindu Kush it is difficult to predict. It will depend on many conditions such as the season of the year, &c.

On the southern or Candahar line:—

	Men.	Remarks.
Two months—		
At Herat	6,000	
At Kushk	50,000	
Four months—		
At Farah	50,000	} The advance troops will be spread about Sabzawar and perhaps some will be in Seistan. The troops brought to Kushk will depend on the numbers Russia considers necessary there while she pushes on her railway and collects supplies.
At Herat	50,000	
At Kushk	100,000	
Seven months—		
On the Khask Rud	90,000	} By this time a serious engagement will have been fought and the position will depend on its result.
Between Farah and Kushk	500,000	

In the calculations on which the above results are based, it is assumed that the advance of the Russians on both lines will be opposed both by the Afghans and the British; but as all forage for transport animals certainly cannot be obtained locally, the above calculations are optimistic.

2. With the above results as a guide, it is estimated that when the proposed trans-Persian line is built to Nushki, and provided with proper sidings, the Russians could in addition to the forces mentioned in paragraph 1 develop the following forces on or within our frontier in Baluchistan, where the new line will cross it; i.e., some 1,200 miles in advance of their present frontier at Julfa.

From date of Russian mobilisation commencing:—

	Men.
One month	20,000
Two months	60,000
Four months	200,000
Seven months	400,000

But to do this Russia might have to reduce the number of troops on the other lines of advance or in other parts of the theatre of war, depending on the situation at the time.

3. In support of the above estimate it may be stated that in the Russo-Japanese war, Russia succeeded in placing in Manchuria at the end of a single line of rails some 4,000 miles from Samara, where the Orenberg line bifurcates from the Siberian one, notwithstanding the break in the line that existed at Lake Baikal during the early months of the war:—

From date of Russian mobilisation commencing:—

	Men.
One month—	
East of Lake Baikal mostly in Siberia on outbreak of war	92,000*
Two months	162,000*
Seven months—	
At and beyond Liao-yang only	200,000**
Eleven months	547,800†
Thirteen months	726,780†
Eighteen months—	
East of Lake Baikal	1,226,000†

* Figures taken from official history of Russo-Japanese war by General Staff, War Office, 1906-1909.

† The numbers on the line of communications in rear of Liao-yang at this date are not known.

‡ Figures taken from "Russki Invalid," No. 112 of 1907, article by Lieutenant-General Levashov, chief of the department of military communications.

But it must be remembered that Russia obtained a very large proportion of her supplies and forage on the spot in Manchuria, which would not be possible in an advance on India through Persia and Baluchistan.

Appendix (B).

Alternative Alignments considered.

The possible alignments of the through connection are—

1. Nushki-Seistan-Kerman-Yezd-Tehran.
2. Kurrachee-Seistan (direct)-Yezd-Tehran.
3. Kurrachee-Charbar-Kerman-Yezd-Tehran.
4. Kurrachee-Bunder Abbas-Kerman-Yezd-Tehran.
5. Kurrachee-Bunder Abbas-Yezd (direct)-Tehran.
6. Kurrachee-Bunder Abbas-Shiraz-Julfa.

The Nushki alignment is the one proposed in the enclosure to the Secretary of State's despatch. It is at no portion of its length subject to control by the sea power of Great Britain. It would enable Russia, in the event of war, to turn the Kandahar and Quetta positions, and to develop on the borders of India a force far stronger than we could oppose with Indian troops alone, and to do so probably before we could obtain reinforcements from home. It is for this reason that the General Staff urge that no extension of the Nushki line should ever be undertaken.

There is no position on this route suitable for a strong fortress that could delay

the advance of Russia's land forces. This alignment possesses in fact every strategic disadvantage.

The Kurrachee-Seistan-Tehran alignment comes within the control of sea power at Kurrachee, but it possesses nearly all the disadvantages of the Nushki connection. The portion from Kurrachee to Seistan direct would be, however, advantageous to India, as it would facilitate the movement of reinforcements from home to the theatre of war near Seistan.

The Kurrachee-Charbar-Kerman alignment is controlled by sea power as far as Charbar, but the alignment at Kerman is dangerously close (260 miles) to Seistan. In the event of an advance by Russia, her forces operating from the railway at Kerman and from Kushk post would be able to concentrate in overwhelming force on Seistan and thence to advance on India. The Helmund position would be turned by the force from Kerman, and we should be forced to accept decisive battle at the very gates of India near Quetta with inferior forces.

As regards the two suggested alignments (4) and (6) the military objections appear to be—

The Kerman alignment brings Russia within 260 miles of Seistan, and has the same objections as route (3).

The Shiraz alignment is open to control by sea power throughout the greater portion of its length, but the power administering the line will absorb almost at once the Persian littoral. This alignment would effectively check German extension into Persia. But if at any time Germany and Russia formed an alliance against Great Britain, India would be very gravely threatened by it.

The Kurrachee-Bunder Abbas-Yezd (direct)-Tehran alignment has the fewest strategic disadvantages in being most open to attack from the sea, and in leading away from our position at Quetta, and it is therefore advocated.

Enclosure 5 in No. 17.

Memorandum by the President of the Railway Board.

THE proposal appears (according to the papers received under Secretary of State's despatch No. 32, dated the 4th November, 1910), to be—

(1). To build a railway from Baku via Resht, Tehran, Kum, Ispahan, and Yezd to Kerman and across the desert to Seistan, where a junction would be made with a line to be made by India from Nushki.

The memorandum drawn up by the Russian consortium recognises Seistan as the point of junction as it states "the nearest point of the British Indian system is Nushki from where the English are carrying a line to Seistan."

(2). The line to be built as an international one by Russia, France, and England.

2. The Secretary of State asks that the scheme be considered by the Government of India both from the commercial point of view and also in respect to its immediate local consequences. He also requests that the Government of India will take into consideration the question of the railway connection between the Russian and Indian systems in general.

3. Taking first the commercial and immediate local consequences, it may be said that—

(i.) As a through line connecting India and Europe, the proposal has no claim to any merit from the Indian commercial point of view. The possibility of goods traffic being carried by the line between England and India is quite out of the question.

(ii.) The difference in length between the rail and sea route to India, taking Kurrachee as a centre, will be very small, and the sea route will always be by far the cheaper in cost of transport of goods, besides being more convenient and also shorter to places in the south of India.

(iii.) As regards passenger traffic, the volume of such traffic between England and India is of no great magnitude, and it would be years after the proposed line had been built before a well-organised service could be installed between Calais and India, over the many different lines with various breaks of gauge over which it would have to run in Europe. Moreover, a passenger to any part of India except the north would find that when he had added the cost of his railway ticket from Nushki to his destination

in India, the total cost of his rail ticket from Calais to destination in India would be higher than the steamer fare which he would have to pay, as steamers have at the present time a large margin within which to reduce their fares. In regard to passenger traffic between England and India, the practical effect of the building of the railway will probably be that steamer fares will be reduced, and they will still retain the traffic. Further passenger traffic between Europe generally and India must be small. There is no emigration traffic, such as the Siberian line carries, and much revenue from this class of business could not be expected.

4. The Siberian Railway cannot be taken as a parallel case on which any assumption can be built. The Siberian Railway route shortens the distance between the centre of Europe and the Far East by a half. Moreover, it gives a direct railway route, much shorter than the sea route, to an area of country infinitely larger than India comprising, as it does, the important ports of China and Japan.

The passenger traffic over the Siberian Railway is most cosmopolitan in character, and of very considerable volume, due to the big interest which most of the European countries have in the Far East.

5. When I travelled by the Siberian line from Port Arthur to Moscow in 1904, there were express through trains running every other day, the Waggon Lits Company providing every alternative train between Irkutsk and Moscow. Since 1904 the traffic has still further increased, and the Waggon Lits Company now run their trains; there were also daily trains running at slower speed.

6. In addition to the through passenger traffic the Siberian line serves most important towns in Asiatic Russia, and affords a convenient means of transport of goods to areas which before could only have been served by a long sea route and a troublesome land journey by cart.

7. Other points of difference could be indicated, showing the advantages of the Siberian Railway as a through route as compared to the usefulness of a line connecting India with Russia; but the main difference is that the Siberian line connects Europe by a short route with a large cosmopolitan population in the Far East, and opens up a cheaper route than the sea route for trade commodities, whereas the use of the through line between Russia and India only offers an alternative route to passengers between England and India with the disadvantage of a convenient and cheaper sea route to compete against, serving all the ports and different parts of the coast of India. As a through line, therefore, between England and India, the scheme commercially has nothing to recommend it as a means of carriage either for goods or passengers.

8. Considering now the position of the line as a commercial proposition, from the point of view of its probable local traffic and the stimulus which it would give to the consumption of articles of foreign manufacture in Persia, a development of trade would certainly follow the construction of the line, but it does not necessarily follow that English trade would benefit much by it. It seems obvious that Russia, and other European countries adjacent, would have a great advantage over England in developing the trade of Northern and Western Persia, but India should secure the trade of Southern Persia and Seistan.

9. As a railway proposition, however, it is not a scheme which one could recommend the Government of India to have anything to do with from the financial point of view; but the line is one of quite an unusual character and it has to be considered from other points than those affecting railway finance.

10. The attitude of India towards the scheme must obviously be largely based on the political situation. It seems clear that both Russia and Germany intend exploiting Northern and Western Persia and, if this cannot be avoided, the main point for consideration would seem to be to decide how the inevitable can be turned to some use for India and the Empire as a whole.

11. In the original Russian note, Enclosure No. 1 to Secretary of State's despatch dated the 4th November, 1910, great stress is laid on the necessity for the project being international. The words used are "we could hardly hope for success if we started by dividing the line geographically into a Russian section in the Russian sphere of influence, and an English section in the English sphere." From the telegram from the Secretary of State, dated the 30th December, however, it seems probable that Russia and Germany are coming to terms, which looks very much as if the international character of the through line would be put in the background, Russia with Germany's consent making the line a Russian one in North Persia.

12. That North Persia will be opened out by a railway which will either be international or Russian seems certain and what India has now to do is to take advantage

of the present position to consolidate itself in Southern Persia. The course indicated seems clear, and it is to welcome cordially the proposed through line as an international railway and to agree at once to make as part of the Indian Railway system a line from Nushki to some point in Seistan which is suitable for a junction with the international railway.

13. The ready acceptance by India of the international scheme would be a useful card in the direction of counteracting the negotiations now in progress between Russia and Germany which may lead to Northern Persia being opened out by a Russian railway with the same objects as were in mind when the Manchurian line was constructed to Port Arthur.

14. At the same time it would politically seem to justify India taking immediate steps to begin making the line from Nushki to Seistan as practical evidence of its desire to carry out the international scheme and to do its share as soon as possible. Whatever might be the eventual outcome of the proposed through line, India, at any rate, would have secured access on its own rails to Seistan and South Persia, whether the through line were made or not.

15. The line from Nushki to Seistan, which should be made solely by India, must cross over the border and have its terminus in Seistan at a place suitable for a big railway terminus for reasons of practical railway working.

16. The point of junction between the international railway and the Indian system of railways will be a place of large importance, and an essential condition is that it should be at a site where an ample supply of water was available, both for residential and railway working purposes, and this can only be found in Seistan.

17. Incidentally it may be remarked that there should be a change of gauge at this point of junction, and it would be as well at this stage to leave undecided the question of the gauge to be finally adopted between Nushki and Seistan, as a smaller gauge than that adopted for the international line has considerable advantages as regards the difficulties of converting it to a wider gauge if the line was in the future ever likely to be made use of for purposes of the invasion of India.

18. The policy proposed would not place on India a financial risk of a character different to what she has cheerfully embarked on in the past in respect to frontier railways. Up to the present time a sum of approximately 25 to 30 crores of rupees have been spent on lines essentially made for military reasons. A sum of half a crore of rupees has only just been recently spent on the Loi-Shilman Railway, in order to provide a line still incomplete and ending at a place that makes it of no practical use for any purpose either military or commercial.

19. In the case of the proposed line from Nushki, it could be extended to Seistan for a sum of 3 crores of rupees approximately. For such an important political object 3 crores is a very small sum. Besides this, granted a stable government in Persia, Seistan is a valuable area to tap by a railway, a matter which, I believe, has been dealt with fully by Sir Henry McMahon in his report on Seistan.

20. The Nushki-Seistan route seems the best to adopt for linking up the Indian railway system with the international line for the following reasons:—

(a.) It falls in with the proposals of the Russian consortium and its construction by India would not excite any particular comment and be considered as simply carrying out a scheme that had already been decided on.

The route would lie for practically the whole length in territory under British influence. Persian territory only being entered upon to the extent necessary to carry the rails to the site most suitable in Seistan for the establishment of the big junction station contemplated there.

(b.) On the other hand, a line from Kurrachee to Seistan traverses an extremely difficult country and would be costly to build and work. The Kurrachee-Bunder Abbas alignment would most probably give rise to very considerable political objection on the part of Russia. It would be avoiding the direct route and its cost would be very heavy indeed. It would also probably be urged that the adoption of this alignment was obviously with the intention of placing India in a specially favourable position as regards South Persia.

(c.) The Nushki-Seistan line will be far cheaper, the probable figures of cost based on Mr. John's reconnaissance would probably be:—

Nushki to Seistan.—3 crores of rupees.

Kurrachee to Seistan.—7½ crores of rupees.

Kurrachee to Bunder Abbas.—20* crores of rupees; assumed figures; it would certainly be more than the line to Seistan. The cost of this line would be extremely heavy, running as it would do across the hills coming down to the sea and having to pass over a great many creeks and estuaries.

From the point of view of railway working the route via Nushki would involve all traffic being carried up to the Quetta plateau and down again, but similar conditions would prevail with Kurrachee-Seistan line as the country between these places rises to the same heights as the Quetta plateau.

21. With regard to the probable cost of the whole international railway, the only information that may throw some light on this point is a note by Captain Hopkins on the country between Seistan and Kerman. The note in question does not give any estimate of the probable cost of making a railway between these two points; but the section of the country given shows its heavy character, and I estimate that a line between these two points would cost $2\frac{1}{2}$ lakhs a-mile, or for 300 miles the sum of $7\frac{1}{2}$ crores of rupees.

22. Considering this figure and the nature of the rest of the country to be traversed between Kerman and the Russian frontier, it seems highly probable that the cost of the proposed international railway from Seistan to Baku will be very much higher than 20,000,000*l.* I fancy that 30,000,000*l.* to 40,000,000*l.* would be nearer the mark.

23. There are other railway points that require to be touched on, assuming the international line does take shape. The Germans may be relied on to make every effort to connect their Bagdad line with the proposed international line, and they would then compete for North and Western Persian traffic, and probably also aim at a line parallel with the Persian Gulf coast and serving all the ports there. The promoters of the international line should, therefore, insist as part of the concession to be given by Persia that they should hold the sole right of railway construction in Persia, India having the right to make its line from Nushki to such point in Seistan as would afford a proper and suitable terminus for the junction of the Indian railway system with the international railway.

24. The political resident in the Persian Gulf has touched on this contingency, and his remedy is for Russia to press for certain branch line concessions in the north, and for England to do the same for branches in the south. I venture to suggest that, if the main through line is to be international, it should follow that all branches off and to it in Persia should also be international, as this seems to be the only way in which British trade in Northern Persia and now delivered at and exported from Gulf and ports by sea could be preserved.

25. With the branch lines in the north belonging to Russia, English trade would be treated differentially, whereas under our methods we should make no distinction of country, in the rates which we should charge for goods over our branches. By insisting on branches being all international equal treatment would be preserved for the countries interested internationally in the line, and it would be possible under the international arrangement to treat the countries owning the line preferentially. Moreover, insisting on all branches in Persia being part of the international arrangement, affords the best protection against the development of German trade in Persia, as the branches would be made in the interests of the trade of the countries concerned in the international lines and the rates to be charged would be fixed with this object.

26. In connection with this matter, it would be advisable to insist, as part of the international scheme, on branches being made from Bunder Abbas to Kerman and from Bushire via Shiraz to Ispahan, leaving it to Russia and France to add in the north any other branches which they might like to include in the whole project.

27. The matter of rates to be quoted on the international lines would be an extremely difficult question to deal with, as the rates would control the area which each country could command with its trade. It would seem that this important subject will require special treatment; but it would be useful to place on record that the rates to be charged should be the subject of special agreement between the parties holding the concession for the international lines.

28. To sum up, I venture to think that the attitude of India towards this matter should be—

(1.) To cordially accept and support the proposal that an international line should be made from Seistan to Baku.

* Sifce estimated at 9 crores, vide Enclosure No. 7.

(2.) To assist in this project India would build at once, with its own funds, the line from Nushki to Seistan, and include it in her railway system. The gauge of this line at the present time to be left to India to decide, but it be made an essential point that a break of gauge should occur at Seistan junction.

(3.) The sole right to make railways in Persia should be secured by the concessionnaires of the international line, and all the branches should be built internationally.

(4.) The basis on which railway rates are to be charged should be a matter for future consideration and agreement.

(5.) Detailed surveys of the Nushki-Seistan should be put in hand at once.

29. If it is ultimately decided that India should support the proposed international line all branches to be made under the same international arrangement, the branches from Bunder Abbas to Kerman and Bushire to Ispahan being essentially parts of the whole project, if possible, it would be very advisable to urge the claim of India to be allowed to actually construct these two branches for the international company.

The international scheme in character is very like the Suez Canal and Panama Canal projects and enormous sums will be spent on flotation and large profits made out of placing and carrying out contracts, and it will be a long time before the public can be educated up to taking up shares. On economical grounds, therefore, it would be of advantage to have these two branches constructed by Indian agency, and it would be of still greater advantage if India offered to find the money to build these two lines in anticipation of the actual promotion of the international company and the finding of its capital.

If the international scheme failed to mature, India would be left with two useful branches in Persia secured by taking advantage of the present state of affairs.

30. As an official reason why India should make these branches it might be urged that she has immense experience of the construction of railways in countries like Persia, that she has staff and material ready at hand and could begin work at once and carry it out economically.

T. R. WYNNE.

January 6, 1911.

Enclosure 6 in No. 17.

Report of the Committee on the proposed Trans-Persian Railway.

THE proposal of the Russian consortium, on which the Secretary of State asks the opinion of the Government of India, is the construction of a railway line from Baku to Tehran, thence via Kum, Kashan, Yazd to Kerman, and thence to Nushki via Seistan.*

It is stated that the construction of a railway in Persia is not an object complete in itself, but simply a means towards the realisation of "a world route to unite by one continuous line of rails Europe to India and other countries in the Far East."

The more immediate object of the promoters appears to be the development of Russian trade with Persia, which is now threatened by the Bagdad Railway and the increasing interest of Germany in the Middle East. It is also remarked incidentally that the line would secure Russia's strategic position in Turkey and in Western Trans-Caucasia.

The line is to be constructed as an international undertaking, the participants being Russia, Great Britain, France, and possibly Persia. The cost of construction is estimated at 206,950,000 roubles, and the possible profits at 15 per cent. on the subscribed capital.

The Government of India are asked for their views on the question of railway connection in general, and the particular proposal put forward in the Russian memorandum, and their advice is specially asked upon the commercial aspects of the project, and its immediate local consequences.

* A subsequent telegram from the Secretary of State, dated the 30th December, shows that the Russian consortium now favour an alignment via Tehran, Ispahan, Yazd, and Kerman, but that the Russian Government prefer that the line should run from Tehran south-east to Kerman to avoid the possible risk of eventual intersection by a German line at Ispahan.

2. It may be convenient at the outset to offer a few observations on the general question of the *pros* and *cons* of a connection by land between Europe and India by way of a Trans-Persian Railway.

The question may first be considered from the point of view of the defence of India against foreign invasion. By the operation of the Anglo-Russian convention we are secured for the present from the fear of a Russian invasion of India, but in the nature of things the possibility of hostilities with Russia at some future date cannot altogether be ignored. In view of this possibility it is clear that any material improvement of land communications towards or through the natural barriers which at present encircle the frontiers of India must involve a great increase to the military responsibilities of India—responsibilities which are already inconveniently heavy. From the purely strategical point of view therefore it would undoubtedly be preferable that India should maintain her quasi-insular position, and should refuse to co-operate in any scheme which would tend to facilitate the transportation of a hostile Power up to or across her frontier.

We recognise, however, that the march of events in the Near and Middle East renders it impossible that this position of isolation can be indefinitely maintained. The advent of the Bagdad Railway combined with the impotence of Persia must inevitably disturb the *status quo*, while the prospect of a Russo-German combination in the event of our refusal to co-operate in the Russian scheme compels us to reconsider the position from a wider outlook. From this standpoint it seems to us desirable to seize the opportunity which the present proposal offers for securing the conditions which we consider essential rather than to wait until circumstances may force us to permit the connection on terms which may be less advantageous.

3. With regard to the merits of the enterprise from the commercial point of view, we are in general agreement with the opinions expressed in the letter from the Board of Trade to the Foreign Office of the 13th September, 1910, and in Mr. Worthington's memorandum forwarded therewith. We do not consider that there is any likelihood of goods being carried on the railway from the United Kingdom to India or *vice versa*. The cost of transport by sea, especially to the south of India, will always be cheaper than by rail, and the sea route will have the further advantage of avoiding the re-handling of the goods at a continental port and at the points at which breaks of gauge may occur. We are inclined to doubt also whether the through passenger traffic on the railway would be of any great magnitude. The volume of such traffic between the United Kingdom and India is not very large or likely to increase in any considerable degree, since there is no emigration to India such as is carried on the Trans-Siberian line; and it seems probable that a reduction in fares would enable the steamship companies to retain the bulk of the existing traffic. As regards the local traffic northwards from India into Persia, no doubt the railway would lead to some development of this trade, but it is impossible to form any estimate as to the amount of such increase in view of the wide difference between the conditions under which the traffic is now carried on and those which would be created by the existence of the railway. The natural channel for Indian trade to Persia is through the ports of the Persian Gulf, and we have little doubt that the construction of lines from those ports into the interior would be of much greater benefit from the purely commercial point of view than the construction of the through line. We may note here that we are unable to accept as in any way accurate the estimate given by the consortium of the revenue that may be expected from the line. From the calculations shown below it would appear that the estimate of the consortium is based upon the assumption that the proposed line will earn per mile per week the sum of 655 roubles:—

Net revenue anticipated by the consortium is	Roubles.
.. .. .	1,18,00,000
	Rupees.
Taking the rouble as = 1 r. 9 a. in Indian currency, the net revenue will be	1,85,00,000
Taking working expenses at 60 per cent. the gross earnings, to secure this revenue must be	4,62,00,000
The length of the line from Baku to Nushki being 2,150 versts or 1,400 miles, in order to produce the gross receipts above given, the line must earn per mile per week the sum of	655

Judging by the earnings obtained upon our Indian frontier railways, we anticipate that the gross earnings per mile per week over the whole of the proposed line can hardly be expected to exceed 120 roubles per mile per week, or one-fifth of the consortium's estimate. The estimate given by the consortium of the cost of construction

is also in our opinion, an inadequate allowance. Persia is a mountainous country, labour will be scarce, and communications during construction difficult. With a line of the character proposed large profits will be expected from contracts and the supply of material, and judging from the cost of railway construction in country of a similar character in India, we fear that the cost of the proposed Trans-Persian connection will exceed the estimate of the consortium by at least 50 per cent. The proposed line can, therefore, hardly be expected to prove a financial success. At the same time the existence of a railway which would open up the country could hardly fail to produce a general expansion of trade in Persia. Improved communications will mean the gradual removal of those obstacles to commerce arising from the disturbed state of the country; from the difficulties relating to exchange and remittance; the long delays between the placing and execution of orders; and the impracticability of efficient supervision and control of agencies. But we cannot avoid the conclusion that a line following the route proposed by the consortium would be far more advantageous to Russian than to Indian trade, though this result might be neutralised to some extent if we were able to secure that branch lines should be simultaneously constructed to connect the Gulf ports, such as Bunder Abbas and Bushire, with the main line. We also consider that it would be essential that stipulations should be insisted upon to insure that there shall be no differential treatment on any part of the railway for the nationals of any country in respect of rates, fares, or general facilities.

4. While, therefore, from the point of view of military policy there can be little question that the maintenance of the *status quo* would be preferable to the construction of the proposed railway, and while it seems at least doubtful whether the advantages to Indian trade would be at all commensurate with the advantages which would accrue to Russian trade with Persia, or with the financial outlay involved in the undertaking, we are nevertheless of opinion that having regard to the desirability of meeting the wishes of the Russian Government and the importance of obtaining a due share in the control of any railway that may be made in Persian territory, and in view of the opportunity which now offers of obtaining concessions for branch lines which are important to us, both strategically and commercially, the Government of India will be well advised to accept in principle the proposals of the Russian consortium, subject to such conditions in respect of alignment, branch lines, &c., as may be considered necessary to secure the safety of India and the development of Indian trade.

5. We will now proceed to examine in detail the various proposals which have been made, and to set forth the conditions which we consider to be essential before the Government of India agree to participate in the proposed undertaking.

The first question to be considered is that of the alignment of the main through line between Russia and India. With the northern portion of the alignment between Baku and Yezd we are only remotely concerned, but we think it right to notice that the alignment proposed by the consortium, viz., Tehran, Kum, Kashan, Ispahan, and Yezd, is preferable on commercial grounds to the direct line from Tehran to Kerman proposed by the Russian Government, since the latter would leave untapped the important trade centres of Kum, Kashan, and Ispahan.

6. From the Indian point of view the important part of the alignment is that by which the railway approaches the frontier of India, namely, the portion from Yezd onwards. Three alternative routes have been suggested, namely:—

(1.) The proposal of the consortium, which is also favoured by Sir Henry McMahon, for a line from Yezd to Kerman, and thence across the desert to Seistan and Nushki. Length approximately 810 miles.

(2.) The route suggested by Lieutenant-Colonel Cox, viz., Yezd, Kerman, Bam, Regan, Bampur, Sarbaz, thence across the Perso-British frontier near Kej and thence to Kurrachee or Hyderabad. Length approximately 1,147 miles.

(3.) The route advocated by the Indian General Staff, viz., Yezd to Bunder Abbas, and thence along the coast to Kurrachee. Length approximately 1,341 miles.

The relative advantages and disadvantages of these three routes are examined in the succeeding paragraphs:—

If the object of the proposed railway be taken as the connection of Russia with India by the quickest, cheapest, and easiest route, this alignment seems to be preferable to either of the other two which have been suggested. The distance between Yezd and Nushki via Kerman and Seistan is 810 miles only as compared with 1,147 and 1,341 miles between Yezd and Kurrachee by the other two routes; and although Kurrachee is immeasurably superior to Nushki as a point of junction with the Indian railway system

and as a distributing centre for goods, the difference in length between the Nushki and Kurrachee routes remains an important factor in the situation. There would, it is true, be engineering difficulties to surmount in crossing the mountains which surround Kerman, and the scarcity of fresh water in the desert between Kerman and Nasratabad and between Robat and Nushki might also be a source of considerable inconvenience. But the route lies in the main through flat country which, as would appear from the reconnaissance made by Mr. Johns in 1903, would present few obstacles to railway construction. It is also a point in favour of this alignment that it would give access to the rich and well-watered tract of Seistan, which, in the opinion of so well-informed an authority as Sir H. McMahon, is capable of rapid development if a market can be found for its surplus products.

But against these advantages have to be set objections, both strategical and political, the importance of which can hardly be overstated. To take the political objections first—it cannot be doubted, in view of the attitude taken by the Ameer of Afghanistan towards the Anglo-Russian convention, that His Majesty will regard the construction of a railway along his southern border as a further indication of a design on the part of Russia to impair his independence, if not to absorb his territories. This aspect of the question has been touched on by Sir H. McMahon in paragraph 15 of his report, but with all respect to his authority we doubt whether he has adequately recognised the gravity of the objection to the Seistan-Nushki alignment on this score. However baseless the idea may be, there will not be wanting advisers who will put a sinister construction on the project in its relation to Afghanistan, and we fear that the alarm and suspicion that will be engendered may give rise to tribal excitement which may prove beyond His Majesty's power to control. The construction of the line would, in fact, prove to be a potent instrument in the hands of those who make it their business to sow ill-feeling between the British Government and the ruler and people of Afghanistan, and we apprehend that the process of restoring confidence might involve us in undesirable complications with the other Powers who will be interested in the undertaking. Even if this be avoided, there is the risk that trouble may arise between ourselves and the Ameer over the distribution of the water of the Helmand on which the development of Seistan largely depends.

The strategical objections to the Seistan-Nushki alignment are even more cogent. The adoption of this route would give to Russia a railway leading directly to the frontier of Afghanistan, and would enable her, in the event of war, to turn the Candahar and Quetta positions. It would also facilitate the transportation by Russia of a very large army across two almost waterless deserts—a task which, under present conditions and without the help of a railway, may be regarded as practically impossible of accomplishment. As against this, India would receive no compensating strategical advantages. A line to Seistan from Nushki might to some extent assist India to control Western Afghanistan, but no point is offered from which a force from India could undertake offensive operations against Russia; while the extension of our line to Seistan would make it difficult to resist a claim on the part of Russia to connect the Trans-Caspian Railway with the proposed route, in which case she would be able to concentrate from two directions. Finally, the adoption of the Seistan-Nushki alignment would, owing to its distance from the sea coast, completely neutralise the strategical advantage which Great Britain possesses in her naval supremacy.

These objections are, in our view, of so grave a character that the Government of India would be justified in offering the strongest opposition to the proposal for railway connection between Russia and India via Kerman, Seistan, and the Nushki route.

7. We will now consider the advantages and disadvantages of the other two alignments which have been suggested, namely, Yezd-Kerman-Bam-Bampur-Kej-Kurrachee and Yezd-Bunder Abbas-Kurrachee, and would preface our remarks by explaining that information regarding these two routes is confined to that obtainable from the route books, which furnish very inadequate material for judging the suitability of the routes they describe for railway construction. Our recommendations must, therefore, be considered as subject to modification after actual railway surveys and investigations have been made.

It is obvious in the first place that the political and strategical objections which apply to the Seistan-Nushki alignment do not apply with the same force to either of the routes above mentioned. A line connecting Kerman or Bunder Abbas with Kurrachee would be far removed from the Afghan border, and would not excite the apprehensions of the Afghan people in any acute degree, while the selection of the sea-coast route would enable Great Britain to make effective use of her naval supremacy in resisting

any possible hostile attack by way of the proposed railway. It would also, as Colonel Cox points out, provide effective means for checking the arms traffic through Mekran. These considerations, in our opinion, render it essential that the Government of India should select the Kurrachee connection in preference to that via Seistan and Nushki.

Taking now the comparative advantages of the two routes ending at Kurrachee, we may first give a general description of the country on the Pasni,* Bampur, Bam, Kerman, and Yezd alignment. The length of the route, as taken from the route books, is 1,147 miles. From Kurrachee to Pasni (296 miles) the line would run in the vicinity of the sea shore; the grade would be level and the chief works would be those connected with the crossing of creek and drainage from the hills. The only point of doubt in respect of this portion of the route is whether the fresh water supply for working locomotives would be sufficient. This is a matter which will need careful investigation. At Pasni the line would turn to the north-west and running by a sloping, hilly country for 150 miles would cross a range 3,000 feet high, dropping beyond to a level of 1,500 feet. From this point there would again be a steady rise till about the 800th mile, where a very sharp rise would have to be faced, the line to reach Kerman having to cross a ridge 8,400 feet high and dropping into the town beyond to 5,600 feet level. From Kerman to Yezd the line would be at a high level, but with no ranges of any height to cross. In the absence of any information as to the cost of making railways in Persia, it is difficult to frame any estimate of the cost of this section of the line. But labour and supplies would be scarce, and, in view of the engineering difficulties of the alignment, the cost of construction and cost of working would certainly be very high. In so far as we are able to frame an estimate, we would put the cost of the section between Kurrachee and Yezd via Pasni and Kerman at not less than 17 crores of rupees.

Turning to the alternative route, viz., from Kurrachee along the coast to Bunder Abbas and thence direct to Yezd, the section as far as Bunder Abbas should offer no particular difficulties as regards construction, and it would provide a level road to run over. From Bunder Abbas to Yezd the general slope of the country is easy and there is no abrupt rise such as is met on the Pasni-Kerman section. As an engineering proposition, therefore, the section from Bunder Abbas to Yezd does not appear to be open to any great objection. We estimate the cost of constructing the entire line from Kurrachee to Yezd via Bunder Abbas roughly at 14 crores of rupees, as against 17 crores for the Yezd-Kerman-Kurrachee route. As a through route between Russia and India it would certainly be quicker than the Kerman route, though of greater length, since the easier grades would permit of a faster train service. This alignment also possesses strategical advantages—

- (1.) That it avoids bringing the through line to Kerman, which is only 260 miles from the Afghan border.
- (2.) That the entire route from Bunder Abbas to Kurrachee will lie sufficiently near the coast to allow the co-operation of the sea and land forces of the Empire in its defence.

The Bunder Abbas-Kurrachee coast line would, it is true, do little towards developing trade with the interior of Persia, but we would propose, if this route is adopted, that a branch line should be run either from Bunder Abbas or Charbar to Regan and Bam with a possible later extension to Kerman. The connection of Kerman with a port on the coast by means of a branch line would have this advantage over its inclusion in the main through route that it would enable Indian commerce to compete for the south-eastern Persian market on more favourable terms than would be the case if Russia were able to transport her goods direct to Kerman.

We would recommend, therefore, that on strategical and political grounds the Government of India should express a strong preference for the connection with Kurrachee, and that, of the two possible routes connecting Kurrachee with the main line, they should select that via Bunder Abbas and Yezd as being the easier, quicker, more economical, and more advantageous from the point of view of military defence.

8. We have next to consider the important question of the branch lines to be constructed in the event of the proposals for the through route coming to maturity. Assuming that the Kerman-Seistan-Nushki alignment is rejected, there will be no absolute necessity from the commercial or strategical point of view for the construction of a branch from Bunder Abbas to Kerman, but, as we have already indicated, it would

* Colonel Cox mentions three possible points at which the line might touch the coast, viz., Gwetter Gwadar, and Pasni. We have taken the latter as being on the more direct route. Our remarks apply with slight modification to the routes via Gwetter and Gwadar.

be most desirable that, with a view to the development of our trade with Persia, entry into the markets of south-eastern Persia should be secured by a branch line from some port on the coast within the British sphere. Whether this branch should lead from Bunder Abbas or from some other port, such as Charbar, we would leave for future decision after the routes have been examined, but we think it desirable that in the negotiations to be entered into with Russia it should be stipulated that it should be open to Great Britain to construct a branch line connecting Kerman with the coast by whatever route may prove to be the most convenient.

It is further important in our opinion to make it a condition of our acceptance of the main proposal that Russia will support us in obtaining such concessions for branch lines in the neutral zone as will operate to exclude Germany from obtaining a predominating position in the Persian Gulf. The lines which Colonel Cox recommends are:—

- (1.) From Mohammerah to Julfa.
- (2.) From Mohammerah via Khor Musa, Behbahan, and Shiraz to Kerman.
- (3.) From Bunder Abbas to Shiraz.

We concur with Colonel Cox as to the supreme importance of obtaining some such concessions as a condition precedent to our co-operation in the main through route. We are not aware how far Russia has pledged herself to support Germany in obtaining an outlet for the Bagdad Railway on the Persian Gulf. But there is clearly a danger that, if an agreement is not arrived at between ourselves and Russia on the subject of branch lines in the neutral zone, Germany may subsequently obtain such a position on the Gulf as must seriously jeopardise our interests, both commercial and strategical. We would, therefore, recommend that, in addition to supporting us in obtaining a concession for a line from Bunder Abbas or Charbar to Bam and Kerman, Russia be asked to co-operate with us in securing concessions for railway lines:—

- (1.) From Mohammerah to Hamadan, or to such point between Mohammerah and Julfa as will intersect the extension of the Bagdad Railway between Khanikin and Tehran.
- (2.) From Mohammerah via Khor Musa, Behbahan, and Shiraz to Bunder Abbas.
- (3.) From Bushire to Shiraz and thence to Ispahan.

These concessions should, we think, be adequate to prevent the intrusion of the German line into the neutral zone, provided that a guarantee is obtained from Persia that she will grant no other concessions in this zone which are likely to compete with the lines which we have indicated. The lines from Bunder Abbas or Charbar to Bam or Kerman and from Mohammerah northwards should, we think, be proceeded with simultaneously with the construction of the main line; the other concessions would not necessarily be utilised in practice, but would be retained for blocking purposes. Meanwhile, it would be an advantage to make detailed surveys of all the proposed routes in order that there may be no unnecessary delay when once it is decided to proceed with any particular scheme.

9. We observe that the consortium contemplate the internationalisation of the through line. We think that in view of the recent negotiations between Russia and Germany in regard to the connection of the Bagdad Railway with the through Persian line, it is of paramount importance that the through line should be international. Otherwise we are faced with the possibility of a Russian line being constructed through Northern Persia linked with the Bagdad Railway and operating by differential rates to the detriment of British trade. We consider further that it would be an advantage, with a view to maintaining full opportunities for the development of trade, that all branch lines made within Persia itself should be internationalised.

As to the Powers which should be admitted to participate in these international projects we can offer no useful opinion. But we assume that Russia and Great Britain will retain a preponderating share in the undertaking, and that any financial responsibility incurred by the latter will be borne equally by the Indian and Imperial exchequers. We think also that it would be a distinct advantage to offer a certain number of shares to the Persian Government with a view both to enlist their interest in the successful working of the line and to obviate any suspicion that the project is likely to affect the integrity of Persia. Should this be decided, it would be necessary to stipulate that Persia should not part with her shares without the consent of Russia and Great Britain.

10. A subsidiary question which has to be considered is that of the gauge to be adopted for the through route, and the place where the break of gauge, if there is to be



INDEX MAP SHOWING PROPOSED RAILWAYS IN PERSIA.

REFERENCES.

Main through lines:—

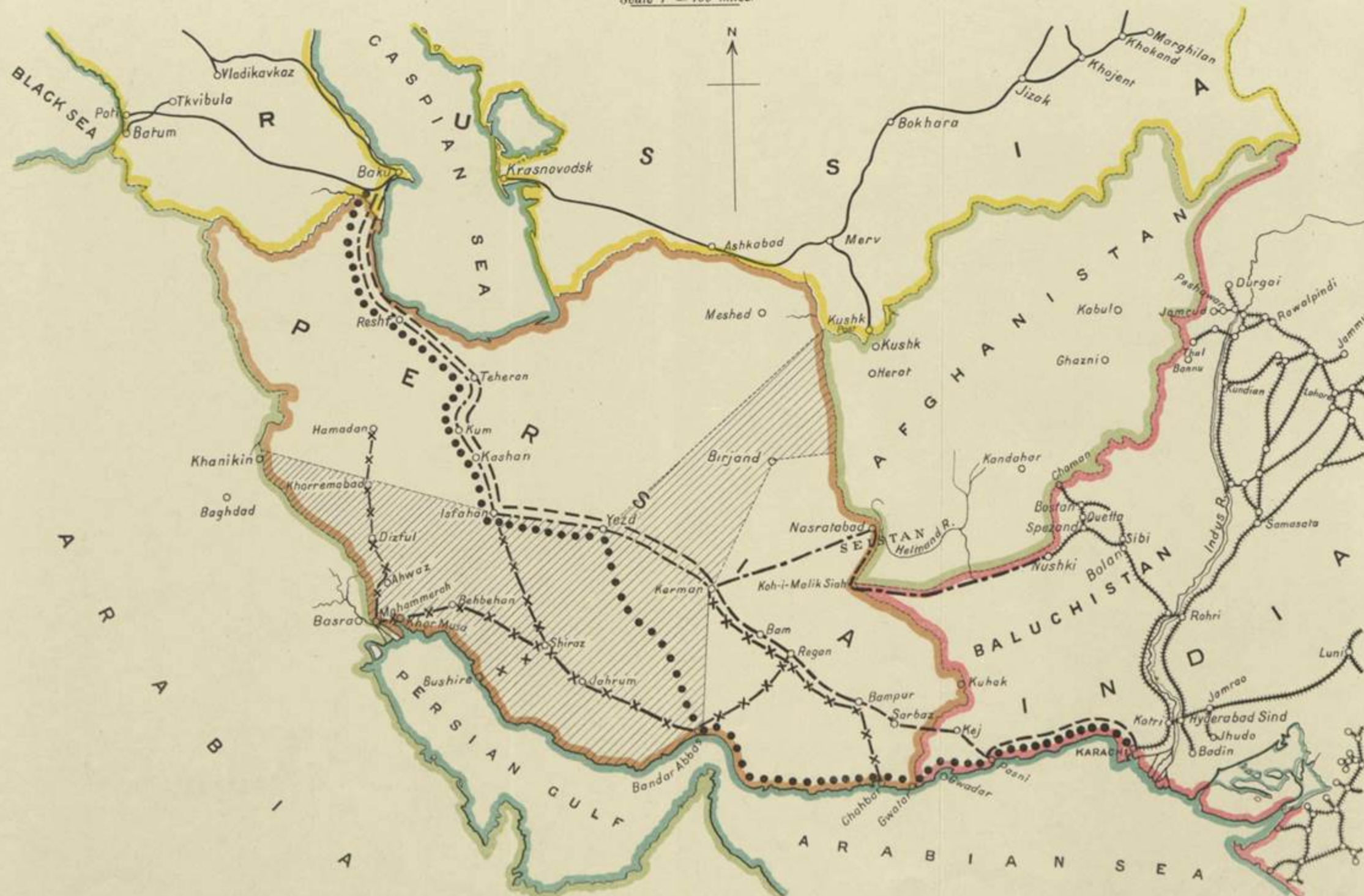
- (1) by Russo-Consortium and by Sir H. McMahon
- (2) by Colonel Cox
- (3) by the Committee

Branch lines recommended by the Committee:—

- (1) Mohammerah to Hamadan
- (2) " to Bandar Abbas
- (3) Bushire to Shiraz and Isfahan
- (4) Bandar Abbas or Chahbar to Kerman

- Boundaries
- Neutral Zone
- Existing British Indian Railways
- " Russian Railways

Scale 1" = 160 miles.



one, should be located. We are of opinion that from the point of view of the security of India, it is of the utmost importance that the gauge of the line passing through British territory and the British zone in Persia should be different from that of the line passing through the Russian zone. We also think that India should have the right to select the gauge for this section, and that it should be narrower than the gauge on the northern section of the line, since a hostile Power would find it much more difficult to widen a narrow gauge than to lay a line within a broader gauge. We think that, from the Indian point of view, the most suitable place for the change of gauge would be at a port on the Gulf, and we recommend that Bunder Abbas, which is on the border of the British zone, be selected for the purpose.

11. There is one further point which we desire to mention before closing our report. It will be seen from what has been said above that the governing considerations in determining the alignment for the through route are, in our opinion, those connected with the attitude of the Ameer and the effect of the proposed railway on the problem of the defence of India. It will be for His Majesty's Government to decide how far these considerations should be put forward in discussing the question with the Russian Government. But we suggest that, in dealing with a matter of such vital importance to India, it would not be out of place to state plainly to the Russian Government the reasons for which Great Britain is unable to assent to the Kerman-Seistan-Nushki connection and to invite a frank exchange of views on the subject. It could be explained that from the British point of view the preferable course is to maintain the strategic isolation of India and to avoid the outlay of vast sums of money on a project which offers but little prospect of financial success or of commercial advantage; that in agreeing to co-operate with Russia in the construction of the through line, we are making a considerable sacrifice; and that the only stipulations we think it necessary to make are such as will safeguard the vital interests of Great Britain. In return for this sacrifice it would, we suggest, hardly be too much to ask Russia to forgo once and for all any design for the extension of the Trans-Caspian Railway along the border of Afghanistan in the direction of the Indian frontier—an extension which, in the words of the Russian consortium, "would be strategically rather dangerous for the English." We recommend therefore that, in addition to the other stipulations which we have mentioned, the acceptance of the proposed through connection be made conditional on the giving of a pledge by Russia that she will not at any time, without coming to an understanding with Great Britain, entertain or support any proposal for a line in the neighbourhood of the Perso-Afghan border within the Russian or neutral zones.

12. To summarise our conclusions:—we recommend that the Government of India accept the proposals of the Russian consortium in principle, subject to the following modifications and conditions:—

(a.) That the point of junction of the main through route with the Indian railway system be at Kurrachee and not at Nushki.

(b.) That the route from Yezd to Kurrachee be via Bunder Abbas and thence along the sea coast, subject to reconsideration as the result of actual survey.

(c.) That concessions be obtained for branch lines:—

(1.) From Bunder Abbas or Charbar to Regan, Bam, and Kerman.

(2.) From Mohammerah to Hamadan.

(3.) From Mohammerah to Bunder Abbas via Khor Musa, Behbahan, and Shiraz.

(4.) From Bushire to Shiraz and Ispahan.

(d.) That both the main and the branch lines in Persian territory be international, Russia and Great Britain holding a preponderating share and Persia being admitted to participate.

(e.) That the gauge of the line passing through British territory and the British zone be different from that of the line in the Russian zone, and that the break of gauge be at Bunder Abbas on the limit of the British zone.

(f.) That in return for our co-operation in the main project, Russia should pledge herself not to entertain or support, without coming to an understanding with Great Britain, any proposal for a line in the neighbourhood of the Perso-Afghan border within the Russian or neutral zones.

W. H. C[LARK].
D. HAIG.
T. R. WYNNE.
J. B. WOOD.

February 8, 1911.

Enclosure 7 in No. 17.

Note to President, Railway Board's Memorandum, dated January 6, 1911.

THIS note was written before I had the opportunity of seeing the memorandum by the General Staff. It dealt entirely with the proposal of the Russian consortium from the railway point of view irrespective of military and political considerations.

The only point I should like to modify is my estimate of 20 crores as the cost of a line from Kurrachee to Bunder Abbas. From the information I then had at my disposal it appeared that the cost of the line would be very heavy. When the question was being considered subsequently by the committee I had access to the route books of Persia and was able to make a section of the country along the coast and obtain a more accurate idea of the cost of making a line along it.

I would therefore ask that the figure of 20 crores which I originally estimated the Kurrachee-Bunder Abbas line would cost might be reduced to 9 crores.

T. R. WYNNE.

February 20, 1911.

[12979]

No. 18.

Board of Trade to Foreign Office.—(Received April 8.)(Secret.)
Sir,*Board of Trade, April 7, 1911.*

I AM directed by the Board of Trade to advert to your letter of the 16th March, and enclosures, with regard to participation in the Bagdad Railway and other matters, and to the Board's reply of the 22nd March, and also to a letter, dated the 29th March, from the India Office to the Foreign Office, of which the Board have been favoured with a copy.

With reference to the main question addressed to them by the Foreign Office, viz., what steps could be devised to ensure equality of treatment for British commerce if a system of internationalisation were arranged for the Gulf sections of the Bagdad Railway such as would not allow of preponderating control in capital and on the railway board to this country, I am now directed to inform you that the whole matter of the steps necessary to secure British trade from adverse discrimination on the railways of Asiatic Turkey has received the very careful attention of the Board. As a result, they have caused to be prepared the enclosed rough heads of two forms of agreement having the proposed object in view, and applicable respectively to the two cases in which Great Britain has or has not control to the extent of at least 50 per cent. of the southern section of the railway. It will be observed that the form and contents of the two draft heads of agreement differ fundamentally. In the first case supposed, the desired object could probably be attained without serious difficulty by an agreement as to the conditions of through traffic between the new railway company, the Bagdad Railway Company, and perhaps the Anatolian Company. This aim would be materially facilitated if, in addition, one or two British directors were admitted to the boards of one or both of the last-named companies. The draft heads of such an agreement are enclosed (marked (A)).

In the second case supposed (which is the case assumed for the purpose of Sir Edward Grey's question), the Board consider that nothing short of a formal treaty between Great Britain and Turkey would be of any use, and as we should, *ex hypothesi*, have no controlling power on either of the boards of management to prevent discrimination, the only means of enforcing the treaty would be diplomatic pressure at Constantinople backed possibly by a threat of withdrawing consent (if given) to the 4 per cent. increase of customs duties.

In the opinion of the Board of Trade, the articles of such a treaty, in order to be effective and to prevent evasion, would have to be drawn in a form not less stringent than those contained in the draft enclosed herewith (marked (B)). They cannot, however, conceal from themselves that insistence on such drastic conditions would be likely to hamper the ordinary commercial development of railway enterprise in Asiatic Turkey, and that it would be difficult to justify them from the point of view of British railway practice.

On the other hand, diplomatic pressure at Constantinople, with its inevitable delays and uncertainty, does not appear to the Board to be a satisfactory mode of

preventing or remedying, as they arise, cases of alleged differentiation, cloaked as they usually would be under various forms of adverse classification, delay of traffic, or other indirect methods of discrimination, without the adoption of a nominally differential tariff.

For the above and other reasons, the Board cannot recommend this course, which does not appear to them to give to British trade any satisfactory recompense for our consent to the increase of Turkish customs duties; while, on the other hand, if such consent were refused, we should be deprived of any effective lever to secure attention to our representations to the Turkish Government.

Such study of this question as the Board have been able to make from a purely railway, commercial, and financial point of view has led them to the conclusion that there are only two practicable policies:—

1. To participate in the working of the southern section on terms of equality with Germany, but to the exclusion of all third parties as regards control.
2. To refuse participation altogether.

Of these alternatives the Board strongly recommend the former, if practicable. They consider that, for the purpose of maintaining legitimate British trade interests, 50 per cent. of the board of directors is sufficient, if coupled either with a British chairman or, if this cannot be secured, an alternating British and German chairman in successive years. Possibly the question of the control and administration of the actual terminal harbour on the Persian Gulf would need separate consideration.

It would be absolutely necessary, and appears to the Board quite possible, to devise effective means of securing that the British portion of the capital of the company, or any part thereof which carries voting power, shall always remain in British control. The Board do not think it necessary to enter into details on this technical financial point, but they have under their consideration several alternative methods of arriving at this object, and they will be prepared, if desired, when the question of principle is settled, to discuss these methods with financial experts, such, for example, as the authorities of the National Bank of Turkey, should Sir Edward Grey contemplate utilising that bank for the present purpose.

The second alternative policy is that recommended by the India Office in their letter of the 29th March, viz., to refuse the Turkish proposals, to make no counter proposition, and to refuse consent to the 4 per cent. increase of duty.

The Board of Trade, as at present advised, are strongly opposed to the adoption of this policy, if it can be avoided. They are not directly concerned as a department with its probable effect upon the political relations between this country, Germany, and Turkey, but it appears to them that it is not unlikely that its adoption might lead to a Turkish boycott of British ships and commerce, which would react chiefly upon the trade of the United Kingdom, and would cause grave dissatisfaction in commercial quarters. It is even within the bounds of possibility that we might have to face the repudiation by Turkey of her obligations as regards customs duties under the Capitulations, and the unilateral enforcement of the 4 per cent. increase without our consent. If such an extreme step should be taken and receive the support of Germany, and if it could be plausibly represented that it had been directly caused by our unreasonable refusal to consent to a measure required by the financial circumstances of Turkey, the Board do not see what effective means of resisting it would be open to us, and in that event our control over the rates of Turkish customs duties would be gone for ever.

The Board of Trade therefore submit, for Sir Edward Grey's consideration, the desirability of taking some such steps as the following:—

1. An immediate confidential conference with the authorities of the National Bank of Turkey (or of any other financial institution through which Sir Edward Grey may contemplate working) to ascertain definitely whether, if desired, they would be disposed to take up the matter on lines satisfactory to His Majesty's Government both as to the security of British control of the capital and as to the financial arrangements to be made between the new company and the Turkish Government. In this matter the Board of Trade will be glad to give any assistance that may be desired.

2. A confidential conference with the authorities of the Bagdad Railway, to ascertain if that company would be prepared, subject to Turkish consent, to co-operate in a scheme on the basis of forming a new company for the southern section, financed equally by that company and the National Bank of Turkey, subject to a satisfactory working agreement among the railway companies for through traffic, the admission of one or two British directors on the boards of the existing railways, and (if thought

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necessary) a separate arrangement for the construction and control of the terminal harbour on the Persian Gulf.

3. A reply to the Turkish note on lines to be decided when the result of these two conferences is known.

I am, &c.

H. LLEWELLYN SMITH.

Enclosure 1 in No. 18.

(A.)

Draft Articles for an Agreement between the Bagdad Railway Company and the Company operating the Railway connecting Bagdad and the Persian Gulf.

ARTICLE 1.

NO discrimination of any kind shall be exercised on any portion of the railways operated by either of the two companies in respect of traffic passing over the said railways, whatever may be its origin or destination.

The word "traffic" shall include passengers and their luggage, goods, animals, and things conveyed on the railways, and carriages, waggons, and other vehicles adapted for running on the railways of the two companies.

ARTICLE 2.

For the purpose of determining charges on traffic, a uniform classification of traffic shall be adopted by the two companies in the manner hereinafter prescribed and shall not be varied except in the same manner.

ARTICLE 3.

The two companies shall provide reasonable facilities for the interchange of traffic through Bagdad, and each company shall afford on its railway all due and reasonable facilities and accommodation for exchanging, receiving, forwarding, and delivering such traffic without any unreasonable delay, and such facilities shall include the receiving, forwarding, and delivering of traffic at reasonable through rates and fares.

ARTICLE 4.

In the event of a junction being constructed between the lines of the two companies, the sum to be paid for the use of the carriages or waggons of either company whilst carrying through traffic on the lines of the other company shall be determined, in case of difference, in the manner hereinafter provided, and each company shall return the carriages or waggons of the other company which have been so employed with all reasonable despatch, the sum, if any, to be paid for the haulage of such vehicles on the return journey being determined in case of difference in like manner.

ARTICLE 5.

If one company unreasonably detains carriages or waggons of the other company after the through traffic carried therein has reached its destination, the company detaining such carriages or waggons shall pay to the other company a reasonable sum per vehicle for each day during which such detention continues, the amount of the daily charge to be agreed upon between the companies, or, failing agreement, to be determined as hereinafter provided.

ARTICLE 6.

For the purpose of this agreement there shall be established a joint committee to be called the Bagdad Railways joint committee, consisting of three directors of each company. Each of the companies shall have the right during each alternate year to appoint from time to time one of its directors, who is a member of the joint committee, to act as chairman of the committee during that year. The chairman shall not be entitled to more than one vote. The chairman during the first year after this agreement comes into operation shall be appointed by the company.

The joint committee shall make all such arrangements as may be necessary to secure the due execution of the foregoing articles of this convention (including the classification of traffic, the determination of the kilometric basis of rates and fares, and the charges for the use, haulage, or detention of carriages or waggons); and in the event of the joint committee failing to come to an agreement in respect of any difference arising out of or concerning the agreement, such question shall, on the application of any one of the companies, forthwith be referred for determination to a standing arbitrator who shall be appointed from time to time by the joint committee or, in default of agreement, by . . . The arbitrator's fee and expenses shall be borne in equal proportions by the parties to the arbitration, and no costs shall be awarded on either side.

Enclosure 2 in No. 18.

(B.)

Draft Articles for a Convention between the British and Ottoman Governments in respect of Railways in Asiatic Turkey.

[HIS Britannic Majesty's Government and the Imperial Ottoman Government, being desirous of promoting and facilitating railway traffic in Asiatic Turkey, have agreed as follows:—]

ARTICLE 1.

No discrimination of any kind shall be exercised on any portion of the railways connecting Bagdad with ports or other places in Asiatic Turkey, or on any of the branches thereof, in respect of traffic passing over the said railways, whatever may be its origin or destination.

The word "traffic" in this and the following articles shall apply to passengers and their luggage, goods, animals, and things conveyed on the railways, and carriages, waggons, and other vehicles adapted for running on the railways.

ARTICLE 2.

For the purpose of determining charges on traffic, a uniform classification of traffic, approved by the high contracting parties, shall be adopted on all the railways specified in the previous article, and such classification shall not be varied except by mutual consent.

ARTICLE 3.

The rates and fares on such railways shall be quoted in all cases on a kilometric basis, and the rates and fares per kilometre for the same descriptions of traffic shall be the same throughout the said railways.

Reductions in the kilometric rates, in respect of traffic passing in defined quantities, shall also apply throughout the said railways.

A rate established for any description of traffic coming under any head in the traffic classification shall apply equally to any other traffic coming under the same head.

ARTICLE 4.

Equal expedition shall in all cases be afforded on the said railways to consignments of traffic of the same description and quantity.

ARTICLE 5.

All reasonable facilities shall be provided by the said railways for the interchange of traffic through Bagdad, and each railway shall afford all due and reasonable facilities and accommodation for exchanging, receiving, forwarding, and delivering such traffic without any unreasonable delay, and such facilities shall include the receiving, forwarding, and delivering of traffic at through rates and fares.

ARTICLE 6.

Any complaint which may be brought to the notice of the Imperial Ottoman Government by His Britannic Majesty's Government in respect of the treatment of

traffic of any kind under the provisions of the foregoing articles, and any difference as to the construction of the foregoing articles, shall, unless settled to the satisfaction of the two Governments within six months, be then referred for determination to the International Court of Arbitration at The Hague.

Enclosure 3 in No. 18.

Memorandum.

AT the meeting which took place this morning it was decided that the reply to the Turkish proposals should be drafted on the following lines:—

The assent of His Majesty's Government to the customs increase shall be given for a fixed period, subject to the following conditions:—

- (a.) The assent of all other Powers, and especially France and Russia, must be secured to the increase.
- (b.) A new Turkish company shall be formed for the line south of Bagdad; of the capital of this company, which shall, if possible, arrange both for the construction and the working of the line, 50 per cent. shall be British, and the remainder German or Turco-German. If the Turks insist on separating the construction company from the working company the above conditions shall apply to the working company, but this would be a less desirable arrangement.
- (c.) There shall be two British members on the board of the Bagdad Railway Company.
(But this is a matter for us to arrange with the company, not with Turkey.)
- (d.) There shall be no sort of discrimination in freight rates, or other matters affecting the carriage of goods or passengers, on any railway in Asiatic Turkey connected with Bagdad.
- (e.) That the chairman of the new company shall either be British or alternately British and German in successive years.
- (f.) Fifty per cent. of the capital of the new company shall always be retained in British control, and, in order to secure this, a suitable arrangement shall be drawn up by the Board of Trade in consultation with the National Bank of Turkey.
- (g.) The railway terminus, if on the Persian Gulf, shall be at Koweit.
- (h.) The policing of the port of Koweit, both ashore and afloat, shall be carried out, in the interests of international trade, by the agents of the Sheikh of Koweit, under the direction of British officers of experience.
- (i.) Koweit shall in no circumstances be fortified.
- (j.) The harbour of Koweit shall be constructed by British contractors, and it shall be built on land to be leased for this purpose by the British Government, and controlled by a separate company.
- (k.) Harbour dues, on a scale to be determined, shall be arranged, and the net proceeds of those dues shall be divided in equal portions between the sheikh and the harbour company, which shall be British.
- (l.) The territorial *status quo* of Koweit shall be guaranteed by Turkey and Great Britain.
- (m.) An arrangement shall be made for the levy, in the interests of Turkey, of customs dues on all *through* traffic entering Turkey through the port of Koweit.
- (n.) The administration of local affairs at Koweit shall remain, as heretofore, in the hands of the sheikh or his successors.
- (o.) The suzerainty of the Sultan of Turkey over Koweit shall be recognised, and the limits of the sheikh's jurisdiction defined (territorially).
- (p.) The sheikh shall take out Turkish nationality certificates in the names of his sons. (This was, I think, agreed to by the Government of India; it would also facilitate the matters relating to the sheikh's Turkish date properties.)
- (q.) Koweitis resident abroad shall enjoy Turkish consular protection.
- (r.) No fortified base, or naval arsenal, shall ever be created on the shores of the Persian Gulf.
- (s.) The southernmost limit, in a southerly direction, of Turkish jurisdiction on the littoral of the Persian Gulf is Ujeir, in the district of El Katif. The Ottoman Government shall renounce all claim to the supremacy over any point on the littoral of the Persian Gulf south of that point, or to the island of Bahrein, Moharrog, Zakhnuniyeh, or adjacent islands.

(t.) His Majesty's Government and the Turkish Government both undertake to recognise the territorial *status quo* on the littoral of the Persian Gulf.

(u.) Bahrein in Turkish territory shall enjoy British consular protection.

(v.) Subjects of the Trucial Chiefs, and of the Sultan of Muscat, who may be resident in Turkey shall enjoy British consular protection.

(w.) There shall be no interference with existing buoys and beacons, or with the erection, should such be required for the purposes of navigation, of beacons or fixed lights, on the coasts of the Gulf by British agency.

(x.) The Persian Gulf shall be open to the navigation of all countries.

(y.) Existing restrictions on the borrowing powers of Egypt shall be removed.

[13106]

No. 19.

Sir G. Lowther to Sir Edward Grey.—(Received April 10.)

(No. 213. Secret.)

Sir,

Constantinople, March 31, 1911.

WITH reference to my despatch No. 190 of the 23rd and to my telegram No. 70 of the 29th instant, in which I had the honour to report to you the substance of the arrangement come to between the Turkish Government and the Bagdad Railway Company with regard to the Bagdad-Gulf section of the railway, as communicated to me by Rifaat Pasha, I have the honour to transmit herewith a copy of what purports to be, and probably is, the actual text of the declarations made by the Bagdad Railway Company, which I have been able to obtain from a confidential source.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 19.

Declarations by the Bagdad Railway Company.

(1.)

NOTRE société déclare qu'en ce qui concerne le prolongement de la ligne de Hélié jusqu'à Bagdad, elle renonce formellement à tous ses droits découlant de conventions antérieures sur le produit des droits de patente, si le Gouvernement les met en application.

L'Administrateur-Délégué,
HUGUENIN.

Constantinople, le 8 (21) mars, 1911.

(2.)

MM. A. von Gwinner et Helfferich, signataires au nom du groupe allemand, qui a le contrôle financier de la Société du Chemin de Fer de Bagdad, de la déclaration du 7 mars, 1911, ci-annexée, m'autorise à déclarer qu'ils acceptent que les mots:

"pour une section de 400 à 500 kilom. calculés à partir du Golfe Persique"

s'interprètent dans le sens de:

"la section comprise entre Bagdad et le Golfe Persique, soit en totalité, soit en partie."

HUGUENIN.

Constantinople, le 8 (21) mars, 1911.

(3.)

Le groupe allemand, qui a le contrôle financier de la Société du Chemin de Fer de Bagdad, est prêt à céder à une société anonyme ottomane à former la concession conférée à la Société du Chemin de Fer de Bagdad par la convention du 20 février

[1501]

L

(2 mars), 1903, pour une section de 400 à 500 kilom. calculés à partir du Golfe Persique ainsi que pour les ports à établir à Bassora et au Golfe, et ce à des conditions dont les détails seront fixés d'un commun accord entre le Gouvernement Impérial ottoman et la Société du Chemin de Fer de Bagdad. Le susdit groupe allemand déclare d'ores et déjà qu'il est d'accord à ce qu'une large part dans la nouvelle société anonyme ottomane soit réservée à la Turquie et qu'il ne réclamera pour l'ancienne Société du Chemin de Fer de Bagdad qu'un intérêt de minorité qui, pourtant, ne serait pas inférieure à la part de n'importe quelle nationalité non ottomane. D'autre part, il serait réservé à la nouvelle convention de fixer les compensations qui reviendraient à la Société du Chemin de Fer de Bagdad pour l'abandon des avantages pécuniaires et autres que lui assurait la convention actuellement en vigueur.

A. VON GWINNER.
HELFFERICH.

Berlin, le 7 mars, 1911.

[13321]

No. 20.

India Office to Foreign Office.—(Received April 10.)

Sir,

India Office, April 8, 1911.

IN continuation of my letter of the 29th March, I am directed by the Secretary of State for India to reply to paragraph 17 of your letter of 16th March relating to the territorial limits of Koweit, and to enclose copy of telegrams exchanged with the Government of India on the subject.*

Viscount Morley is not aware on what grounds the opinion expressed by the Marquess of Lansdowne in his memorandum of the 21st March, 1902, is based, but he observes that the language used is very tentative, and, so far as he knows, the subject was never pursued along the line suggested by his Lordship, except in the case of the attack on the immediate neighbourhood of Koweit threatened by Ibn Rashid in the autumn of 1902. It will be seen from the Government of India's telegram of the 6th April that this incident does not affect their opinion that our general obligations extend to the limits of Koweit territory, as described in volume II, pp. 1059-61 of "Lorimer's Gazeeter of the Persian Gulf," copy of which is in your possession. In this Lord Morley concurs; that is to say, he thinks that in the event of unprovoked aggression by the Turks, or by Arab tribes under Turkish control, upon those limits His Majesty's Government could not abstain from using their "good offices" in the sheikh's favour. But the term "good offices" is a very vague one, which His Majesty's Government are at liberty to interpret at their discretion, and which they would doubtless interpret with more or less strictness according to the nature and locality of the aggression and all the circumstances of the case. It would, however, in his Lordship's opinion, be very impolitic to attempt in dealing with the sheikh to whittle down the extent of our obligations, since such a course would fill his mind with suspicions and could not fail to affect unfavourably our prestige in the Persian Gulf.

As regards Warba and Bubiyan, Lord Morley agrees with the Government of India, and further is inclined to think that their possession would be more rather than less important if the terminus of the Bagdad Railway is at Bunder Shweikh, since the existence of Turkish posts in such close proximity to the port could not fail to be inconvenient. On the other hand, the sheikh's claims to Um Kasr and Musalamiya can probably not be sustained.

I am, &c.
R. RITCHIE.

[13382]

No. 21.

Sir G. Barclay to Sir Edward Grey.—(Received April 10.)

(No. 117.)

(Telegraphic.) P.

Tehran, April 10, 1911.

THE Persian Government will very shortly be sounded with regard to a railway concession for a line from Julfa to Tabreez by the president of the Russian road company who is here now.

My Russian colleague is my authority for the above.

* To Viceroy, March 18; Viceroy, March 25; to Viceroy, March 31, 1911.

[13720]

No. 22.

Sir Edward Grey to Sir G. Buchanan.

(No. 105.)

Sir,

Foreign Office, April 10, 1911.

I ASKED Count Benckendorff to-day what were the views of his Government with regard to the Bagdad-Gulf section of the Bagdad Railway.

He told me that, since Germany had renounced the Bagdad-Gulf section and the matter no longer appeared to be one between England and Germany alone, the Russian Government thought that it would be a good demonstration of the co-operation *à trois* if they, as well as France, participated in the Bagdad-Gulf section. Co-operation *à trois* had rather dropped out of sight, and the Russian Government would like to see it re-established.

I entirely agreed with this, but I explained to Count Benckendorff our difficulty with regard to the Bagdad-Gulf section. As a matter of fact, Germany had not renounced this section; she had stipulated for a participation in it as great as that of any other Power except Turkey, and the German concessionnaires had reserved the right to claim an indemnity for loss of profit on kilometric guarantees.

I also told Count Benckendorff that we had not yet sent in our reply to the proposals which the Turkish Government had made to us. When we did reply, we should certainly point out that the position which they now put before us was quite different to that which Djavid Bey had suggested last summer as a possible way of meeting our views. Djavid Bey had then asked us whether we thought that a settlement could be reached if Turkey had a free hand with regard to the Bagdad-Gulf section. We had replied that this might provide a basis for a settlement, provided that, if the participation of foreign capital was invited, our participation was in proportion to our trade; this would give us about 60 per cent. In any case, it would be difficult to reconcile British public opinion to a bargain unless we had at least 50 per cent. But, in the new circumstances created by the German agreement with Turkey, if we had 50 per cent., Germany was also to have 50 per cent., Turkey would drop out of financial participation, and the question would still be one to be discussed between us and Germany.

France, I understood from M. Cambon, wished to secure railway advantages in regions quite different from that of the Bagdad Railway; and she would participate in the latter railway only if we desired her to do so, for she did not look upon it as her affair.

My view was that Russia should make her bargain as she had begun to do at Potsdam. France should make her own stipulations with regard to the matters in which she was most interested. We ourselves should make the best terms we could about the Bagdad-Gulf section. Then, when we were all three ready, we would simultaneously agree to the increase of the Turkish customs dues. Simultaneous agreement of this sort would have an excellent effect.

Count Benckendorff said that the fact that Germany had not unconditionally renounced the Bagdad-Gulf section made a considerable difference. He thought the Russian proposal was founded on the assumption that Germany was out of the question. The Russian desire was to help us, and therefore their proposal would not hold if the question was one between us and Germany alone.

He thought, however, that if it was ultimately decided to have French co-operation, Russia should come in too, for the participation of Russia as well as France, entailing the division of the railway section into five shares instead of four, might just turn the balance in our favour.

I agreed that if France came in it would be desirable that Russia should come in also, and if the negotiations took a turn in this direction I would bear the point in mind. Meanwhile, I thought it better to leave the question open, and I promised to let Count Benckendorff know how the negotiations progressed. It might be that, as a result of the terms which Germany had made with Turkey, the negotiations would revert to an attempt on our part to arrange a settlement with Germany and Turkey alone as the only way in which to get the large share in the Gulf section which British public opinion expected.

I am, &c.
E. GREY.

[12458]

No. 23.

Sir Edward Grey to Sir G. Buchanan.

(No. 104.)

Sir,

Foreign Office, April 11, 1911.

WITH reference to my despatch No. 71 of the 8th ultimo relative to the negotiations now in progress at St. Petersburg in connection with the proposed construction of a railway from Julfa to Tabreez, I transmit to your Excellency herewith copies of further correspondence with Lord Grimthorpe on the subject and of my reply.^o

I am, &c.

E. GREY.

[12458]

No. 24.

Foreign Office to Lord Grimthorpe.

My Lord,

Foreign Office, April 11, 1911.

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of your letters of the 30th March and the 3rd and 5th April, relating to Mr. Williams' negotiations at St. Petersburg on the subject of the proposed Julfa-Tabreez railway.

Your original letter (that of the 26th February) spoke of Mr. Williams only as your representative, so that on receipt of your second letter (that of the 30th March) Sir E. Grey intended to send a copy of it to Sir G. Buchanan in order that, if Mr. Williams should apply to him, he might be able to explain that gentleman's true position to the Russian Government. Before, however, this could be done, your third and fourth letters, those of the 3rd and 5th April, arrived, in which you revert to the same point and also mention reports which have been current in St. Petersburg derogatory to your financial reputation. Sir E. Grey greatly regrets these rumours, of which he now hears for the first time.

Copies of your letters of the 30th March, the 3rd and 5th April will now be sent to Sir G. Buchanan, but as Sir E. Grey knows nothing of the company referred to in the correspondence of which he now hears for the first time, he cannot instruct the embassy to offer any explanations about it. These can no doubt be given by Mr. Williams, and certainly no report to your disadvantage has proceeded from the embassy.

I am, &c.

LOUIS MALLET.

[13894]

No. 25.

Sir G. Louther to Sir Edward Grey.—(Received April 13.)

(No. 90.)

(Telegraphic.) P.

Constantinople, April 13, 1911.

THE National Bank had been negotiating here with M. Spitzer, of Paris, representing the "Banque de Salonique," with a view to a fusion of the two banks, and with the ultimate object of coming to an agreement with the Ottoman Bank for co-operation with them.

The representative of the "Banque de Salonique" had reason to believe that this proposal had the approval of the French Government, and that negotiations would be readily entered into by the Ottoman Bank, but he has heard this morning that the latter have withheld their approval of the scheme on the ground that they have recently received information from an authentic source to the effect that the proposed fusion does not interest His Majesty's Government, to whom the disappearance of the National Bank would be a matter of indifference.

Unless this impression is removed, Sir H. Babington Smith considers further negotiations will be unavailing.

* Part I, No. 220; and Nos. 9, 15, and 24.

[13965]

No. 26.

Sir E. Goschen to Sir Edward Grey.—(Received April 15.)

(No. 100.)

Sir,

Berlin, April 12, 1911.

THE article which appeared recently in the "Novoe Vremya" on the subject of the exclusion of the Alexandretta branch line of the Bagdad Railway from the scope of the Potsdam Agreement has been commented upon in several newspapers here. The "Norddeutsche Allgemeine Zeitung" contents itself with reproducing statements alleged to have been made by a high official of the Russian Foreign Office to the "Novoe Vremya," which explain the grounds on which this branch was not included in the Potsdam arrangement, and declare that the possible development of Alexandretta as a second Hamburg is a matter which interests Turkey and the foreign countries having large commercial interests there more than it does Russia.

The "Berliner Tageblatt," on the other hand, gives more prominence to the comments of the "Novoe Vremya" itself, which are passed over in silence by the semi-official "Norddeutsche." It reproduces the complaint of the Russian newspaper that the stupid Russians will only realise the full effects of the good-natured discussions in Potsdam when Germany has established herself safely in Syria, connected the Mediterranean with Persia by a short railway, and robbed Russia of her Persian market.

The editor of the "Berliner Tageblatt" adds the following comment:—

"It is scarcely necessary to say that the 'Novoe Vremya' does not seriously believe that Russia will lose her Persian market through the railways which Germany is building. Moreover, the branch line from Alexandretta to Osmanieh could not bring about this result. But in spite of all its pretty speeches at the time of the last visit of the Czar, this paper is so thoroughly impregnated with hatred of Germany, that it regards every success of Germany's commercial policy as a defeat for Russia. Such a conception of the relations of nations with one another cannot be influenced by any argument based upon reason."

The "Vossische Zeitung" also publishes a short article on the same lines.

I have, &c.

W. E. GOSCHEN.

[13894]

No. 27.

Sir Edward Grey to Sir G. Louther.

(No. 102.)

(Telegraphic.) P.

Foreign Office, April 15, 1911.

ANGLO-FRENCH financial co-operation: Your telegram No. 90 of to-day.

You may inform parties interested that Sir A. Nicolson has more than once, with my entire approval, told Sir E. Cassel recently, both in conversation and in writing, that we should view fusion with pleasure, and that impression prevailing at Constantinople is totally false.

I shall continue, when necessary, to support National Bank acting independently, if attitude of Ottoman Bank makes Anglo-French co-operation impossible, but I desire to see schemes for its realisation carried out.

[14120]

No. 28.

Sir G. Louther to Sir Edward Grey.—(Received April 18.)

(No. 235.)

Sir,

Constantinople, April 10, 1911.

I HAVE the honour to forward to you herewith, with reference to my despatch No. 160 of the 13th ultimo, a copy of a notice from the Sublime Porte replying to this embassy's notice on the subject of the Bagdad Railway and the 4 per cent. customs increase.

I have, &c.

GERARD LOWTHER.

[1501]

M

Enclosure in No. 28.

Note communicated to Sir G. Louther by the Sublime Porte.

LE Ministère Impérial des Affaires Étrangères a eu l'honneur de recevoir la notice que l'Ambassade de Sa Majesté britannique a bien voulu lui adresser, le 13 mars dernier, à la suite du memorandum remis le 1^{er} du même mois par le Ministre des Affaires Étrangères à son Excellence l'Ambassadeur, et contenant certaines propositions relatives au prolongement de la ligne de Bagdad jusqu'au Golfe Persique, ainsi qu'à la majoration douanière projetée de 4 pour cent.

Le Ministère Impérial apprend avec plaisir que ces propositions font l'objet d'un examen attentif de la part du Gouvernement Royal.

En attendant le résultat de cet examen, le Ministère Impérial croit devoir seulement faire remarquer que les développements énoncés dans la notice précitée de l'Ambassade de Sa Majesté britannique au sujet des conditions de l'assentiment du Gouvernement Royal à la majoration douanière de 4 pour cent, par rapport aux revenus à affecter au Chemin de Fer de Bagdad, ne concordent pas exactement avec le passage y relatif du memorandum remis le 23 septembre, 1909, par le Foreign Office à l'Ambassade de Sa Majesté Impériale à Londres.

Il n'était, en effet, question sur ce point, dans ledit memorandum, que d'obtenir du Gouvernement allemand "l'assurance qu'il est prêt à abandonner son droit sur tout produit de l'augmentation des droits de douane pour les sections du Chemin de Fer de Bagdad déjà en construction ou à construire à l'avenir, et d'une communication confidentielle à faire au Gouvernement de Sa Majesté britannique déclarant qu'une assurance dans ce sens, a été donnée par le Gouvernement allemand."

En relevant ce qui précède, le Ministère Impérial constate, au surplus, que les éléments contenus dans son memorandum du 1^{er} mars répondent aussi bien au désir manifesté dans le memorandum de Sir Edward Grey qu'aux développements subséquents contenus dans la notice en date du 13 mars dernier de l'Ambassade de Sa Majesté britannique.

Le 10 avril, 1911.

[14121]

No. 29.

Sir G. Louther to Sir Edward Grey.—(Received April 18.)

(No. 236. Confidential.)

Sir,

Constantinople, April 10, 1911.

I HAVE the honour to enclose a translation of a letter which has appeared in this day's "Tanin" concerning the status of the Sheikh of Koweit according to the Turkish contention.

The writer rebuts the claim that Koweit is independent, and maintains that the sheikh is a "Pasha" and "Kaimakam" of the vilayet of Bussorah, but rather weakens his argument by confusing the "Moslem Caliphate" and the "Ottoman Empire," as also by his statement that the sheikh . . . knows that the Ottoman Empire is the sole refuge for all Moslems.

As pointed out before, the title of "Pasha" which has been given to General von der Goltz, Lord Kitchener, and numbers of others does not necessarily imply Ottoman nationality or subjection, while though Sheikh Mubarek bore the title of kaimakam, or governor of a kaza, the Ottoman Government has never exercised authority in Koweit territory through military, police, customs or other officers, nor has it prevented the sheikh from contravening its laws and carrying on war with neighbouring Ottoman tribes, e.g., the Muntefik. The refusal of Sheikh Mubarek, mentioned by Abd-ul-Wahab, to obey the summons to proceed to Bussorah, Bagdad, or Constantinople, rather goes to prove that he was really independent.

I would add that the suggestion contained in the India Office letter of the 3rd March, 1911, concerning Koweit would seem to be on the lines of granting to the sheikh's territory a status similar to that granted to Egypt by Imperial firman.

I have, &c.

GERARD LOWTHER.

Enclosure in No. 29.

Extract from the "Tanin" of April 10, 1911.

(Translation.)

KOWEIT IN THE PAST, THE PRESENT, AND THE FUTURE.

IN view of the fact that Koweit may be considered as the key to Irak, and even to the whole of Mesopotamia, it is natural that the question should occupy the world's attention.

The "Times" and other English papers, while differing in various details, are united on some fundamental points.

According to their claim, Koweit has been independent *ab antiquo*, and the English have an interest in Koweit. On hearing of this claim we were greatly astonished, for up to the present time the Kaimakam of Koweit, Sheikh Mubarek-es-Sabah Pasha, has never separated himself in any way from his Ottoman nationality. Mubarek-es-Sabah Pasha is an Ottoman and the son of an Ottoman; that point is fully established by entries in official registers and by documents signed by his own hand. Sheikh Mubarek-es-Sabah Pasha has not hesitated to show his obedience and submission to the Government, both secretly and openly, and to keep his Ottoman nationality in its entirety. His predecessors—his brothers Sheikh Muhammad Pasha and Sheikh Abdullah Pasha, their father Sheikh Sabah, and their uncle Sheikh Jabir—admitted their Ottoman nationality with the greatest pride and loyalty. This admission, this bond, is very important for us; for the tie is our chief weapon in a time of conflict.

Reference to official entries in registers proves clearly that Koweit is regarded as a dependency of Bussorah, as Bussorah is a mutessarifate under the vilayet of Bagdad. All the documents kept in the vilayets of Bussorah and Bagdad, and particularly those from the Grand Vizirate and the Ministry of the Interior, show that Koweit is connected with Bussorah and that the Sabah tribe are subject and obedient to the Empire. This is confirmed by the late Midhat Pasha, the founder of liberty. The relations between the Imperial Government and the Sabah tribe had gone on thus very cordially for a long time, until, owing to the ignorance or maladministration of some officials, a number of disputes occurred, mutual aversion arose between the two parties, and the matter took on its present form. Sheikh Mubarek Pasha, who was formerly simply "Kaimakam" of Koweit, now signs himself "Chief of the Koweit Tribes," Ruler of Koweit. Nevertheless, Sheikh Mubarek Pasha does not deny his nationality. In his telegrams about the property called Fedaghia which he bought from Ahmed Pasha, although the number of the population of Koweit is not mentioned, he states clearly and categorically that they are Ottomans and the children of Ottomans. Moreover, Mubarek-es-Sabah also desired to take out Ottoman nationality papers for his own children and to transfer the above-mentioned property to them in their names.

It was natural that certain persons should seek to profit by such means, and as soon as they saw such a feeling of aversion arise between the Ottoman Government and Mubarek-es-Sabah Pasha, they immediately began to encourage (him). But even under these circumstances Sheikh Mubarek-es-Sabah Pasha did not forsake his Ottoman character. Even when Lord Curzon, Governor-General of India, paid a visit to the Persian Gulf and was received by Mubarek-es-Sabah Pasha as one of the Emirs of the Gulf, he saw that the Ottoman flag waved over Mubarek-es-Sabah Pasha's house, over his private ships and his ships of commerce, and in other places, and realised his connection with and loyalty to the Ottoman Empire; and when he asked him, "Do you still use this flag?" Sheikh Mubarek Pasha replied, "Yes; I use this flag. Our present position with regard to the country to which I owe allegiance is like that existing between a father and son who are angry with each other. Some day the father will be pleased with his son, and every difference will be cleared up." These are the exact words that came from the lips of Mubarek-es-Sabah Pasha. Undoubtedly, such words can come from a sincere and zealous man who finds prosperity and happiness under Ottoman dominion, and they can only be expected from such a man. Such loyal and sincere words are equivalent to saying, "I desire from my heart and my tongue that the great Moslem Caliphate may be exalted and that Ottoman unity may be kept from harm." But these are not the only words, the sole acts and circumstances, that show Mubarek-es-Sabah's loyalty and sincerity towards the Ottoman Empire. His acts and his words also show the bond that unites him to "Ottomanism" and reveal his devotion and obedience to the Empire. The sheikh, like everyone else, knows that the

everlasting Ottoman Empire is the sole place of recourse for all Moslems and their crown of pride, and that to be faithful and loyal to that everlasting Empire is a sacred duty which comes before everything else.

About nine months ago some meetings took place in my house between the late Vali of Bussorah, Suleiman Nazif Bey, Sheikh Mubarek-es-Sabah Pasha, the ruler of Mohammerah, Sheikh Khaz'al Khan, and all the notables of the vilayet. This was a step towards clearing up misunderstandings and exchanging (marks of) friendship and amity.

On that occasion I said a few words suitable to the time and place. During the course of the sittings which took place in my house I said, "Koweit is subject to the Empire." The sheikh, far from objecting to this, received my words with the greatest joy and satisfaction. He promised that he would again accept the payments which he had abandoned for some time past owing to the maladministration, the dishonesty, and the abuses of certain officials. Moreover, he undertook to build a post office for the Ottoman postal service at his own expense; and raised no objection to his agreeing to similar useful works. The "Times" claim about "salary paid by Turkey to Sheikh Mubarek Pasha for the defence of Bussorah" shows that it is not conversant with the facts. Turkey is not so unable to defend and protect her territory, thank Heaven! as to have to hire such means by the payment of salaries. The "Times" is mistaken on this point.

According to the "Times," the Ottoman Government ordered Ibn-ur-Reshid to invade Koweit; but that is the exact contrary of the truth. It was Sheikh Mubarek Pasha who joined the Sa'oud tribe to make war on Abd-ul-Aziz-ur-Reshid. At that moment Ibn-ur-Reshid was in Irak. Immediately on hearing of the matter the Ottoman Government sent an order to prevent Ibn-ur-Reshid from moving on Koweit. The man who transmitted this order was General (Firik) Kiazim Pasha; and in any case a copy of the telegraphic order containing the Government's prohibition still exists.

Similarly, the "Times" is wrong in stating that the Ottoman Government sent a war-ship to attack Koweit; so there was no cause for interference and threats on the part of England. All the Government did was to send a ship to tell Sheikh Mubarek Pasha to go to Bussorah or Bagdad or to Constantinople to be appointed to the Council of State.

Mubarek Pasha did not accept this proposal, which was necessitated by the policy of the old régime; for it was not easy for a man like him to leave his country and his people and go to Constantinople. How could he expose himself to such a danger? At that moment England backed up the sheikh, and said she would protect him.

Whatever the question may be, I say openly that the maintenance of the policy and influence of the Empire in Koweit depends on appointing honest officials who will provide the good administration which Midhat Pasha declared to be necessary for the Sabah tribe. I am convinced and confident of Mubarek Pasha's loyalty and friendship towards the Empire. His sole aim is to assure his future and that of his sons and descendants; which entails Koweit being in their hands and their being the sheikhs so long as one member of the Sabah tribe remains.

The European papers distort this fact; one rarely meets in them news with regard to our country which is not distorted. News concerning us is published after being cut according to the greedy aims of the Governments of the countries to which those papers belong, and the telegraph agencies work on the same principle and policy. It is in this way that the Koweit question has been sent everywhere by telegraph in its incorrect form, and that public opinion has been deceived.

[14368]

No. 30.

Lord Grimthorpe to Sir Edward Grey.—(Received April 18.)

Travellers' Club, 25, Avenue des Champs-Élysées, Paris, April 11, 1911.

My dear Grey,

I AM afraid I have been something of a trouble to you, for which please forgive me; but, when harm was being done in consequence of a misapprehension, I felt that I was justified in trying to remove it. I have just seen Mr. Williams on his return from St. Petersburg. I am glad to say that he has been able to give the Russian Government convincing proofs of our *bona fides* and to satisfy them on every point, so that everything is now all right, and the negotiations have been brought up to a point

at which it was necessary for him to return to make all the financial arrangements with the syndicate. When this is done he will go back to sign the final contract, so that I hope all will end well.

Yours sincerely,
GRIMTHORPE.

[14153]

No. 31.

Sir E. Goschen to Sir Edward Grey.—(Received April 18.)

(No. 102. Confidential.)

Berlin, April 14, 1911.

Sir,

I HAVE the honour to forward herewith a despatch which I have received from Captain Watson, naval attaché to the embassy, relating to and transmitting translations of Count Reventlow's articles in the "Deutsche Tageszeitung," entitled "German Policy in regard to the Bagdad Railway."

I have, &c.

W. E. GOSCHEN.

Enclosure 1 in No. 31.

Captain Watson to Sir E. Goschen.

(No. 14. Confidential.)

Berlin, April 11, 1911.

Sir,

I HAVE the honour to submit translations of articles in the "Deutsche Tageszeitung" of the 4th and 5th April last, by Graf Reventlow, the well-known naval writer.

Graf Reventlow urges in the latter part of his articles that it is extraordinary that German men-of-war do not enter the Persian Gulf and show the German flag there.

I have, &c.

HUGH WATSON, Naval Attaché.

Enclosure 2 in No. 31.

Extracts from the "Deutsche Tageszeitung" of April 4 and 5, 1911.

(Translation.)

GERMAN POLICY IN REGARD TO THE BAGDAD RAILWAY.

I.

NOW that the German Bagdad Railway Company has lately made certain concessions to the Turkish Government, to abandon that section of the line from Bagdad to the southern end of the railway, thus making it possible for Turkey to form a new international company, it seems that the entire Bagdad Railway question, in so far as it is a point of contention politically, will be peaceably settled. It is a well-known fact that it has been a point of controversy up to the present time, and hints have often been given on the part of England, by the British Government and its representatives, to the effect that the question at issue is perhaps the only one, at the present time, which would lead Great Britain to go to war.

In the year 1903 the British Government refused a participation in the capital of the railway, evidently because it then hoped to, and was convinced that it could, prevent the project being carried out, on the one hand, by determined opposition with regard to the question of the raising of the duties, in so far as these served as a kilometric guarantee for the construction of the railway, and, on the other hand, simply by working politically against the project, in conjunction with France, and later on with Russia. These two means were rendered ineffectual last year, the failure being put down to the Potsdam meeting. Russia then offered no opposition, as before, to the building of the railway, and the financial position is now such that it is no longer necessary to fall back on the duties. In the face of these events, unexpected, but, at the same time, carefully arranged for by Germany, the English Government saw that it would be of

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no further use to maintain their former position as regards the railway question. Then efforts were made to obtain participation, before rejected, even if only in the southern section and with reference to this, as is known to our readers, the Koweit question was brought up. The British press asserted that Koweit was independent of Turkey, and that, in his time, Lord Curzon made a contract uniting Koweit with Great Britain under the title of a protectorate. Still, the Secretary for Foreign Affairs, Sir Edward Grey, has with reference to an interpellation in the House of Commons, intimated that the title "protectorate" is unjustifiable, and, a short time ago, Lucien Wolf, who is generally well-informed on such matters, made the following remarks, with reference to this question, in the "Daily Graphic":—

"Koweit has always been a 'caza' of the sanjak of Bussorah and *de facto* a self-governed province of the Ottoman Empire. Therefore the mysterious Curzon contract cannot be legal according to constitutional law."

Wolf further asserts that he has been able to examine a document in which the British Government itself denies the so-called protectorate:—

"It was in 1901, when Turkey again tried to assert its right of jurisdiction in Koweit, and was prevented by ships belonging to the Indian Government. The incident led to an interchange of opinions at Constantinople between the British Ambassador, Sir Nicholas O'Connor, and the present Ottoman Ambassador in London, Tewfik Pasha. The final result was an exchange of documents by which the two Powers agreed to consider the *status quo*. Turkey consented not to send any troops to Koweit, while Great Britain declared that it did not lay any claims to Koweit, neither did it wish to have the protectorship of the sheikh's territory."

This evidence, and especially that of the British Foreign Office corresponding with it, is of great importance in this case because it shows that very great efforts have been made on the part of the German Bagdad Railway Company to meet Great Britain, and thereby also on the part of the German Government, which has lately taken up the railway question and has discussed it so minutely, energetically, and in such an authoritative tone in the "Norddeutsche Allgemeine Zeitung," that one must say, though with some amazement, that the Government, if not intentionally, still *de facto*, has declared itself to be one with the political point of view of the undertaking. Now, of course, the question appears in a totally different light, whereas formerly, on the ground of a statement repeatedly made by representatives of the German Government, we were justified in referring to a private business matter connected with the German Bank and the Turkish Government. Indeed, one must go still further to-day and ascertain whether the means of solving the Bagdad Railway question, adopted by the German and British Empires, is to be regarded as a touchstone for the further development of affairs as regards the German-English position. The surrender of the southern section of the railway on the one condition that German participation shall at least equal that of any other State, shows the extreme importance of the concessions made on the part of Germany.

The question arises: "What will the German Empire receive from Great Britain, to whose advantage these concessions have really been made?" The answer, so far as we can see, is a very unsatisfactory one, for it is simply "Nothing!" In Germany it was pointed out that the railway concession would have a beneficial effect, one most certainly to be desired, on the German-English position, that is to say, on the "mutual understanding" of course. Such an understanding would certainly help matters, but it is, perhaps, pretentious on our part to say that we should have preferred to see concessions made by the English as well, for a mutual understanding can only rest on co-operative principles. It may be that England considers it is doing more good by rewarding the German Empire with declarations of friendship, of feelings of relationship, and with the consciousness of united efforts in the interests of civilisation instead of repaying her by actual compensation. According to English history, this is quite probable, but one cannot help expressing surprise and regret with regard to the fact that our Ministry of Foreign Affairs, which has up to now worked so successfully, has this time confined itself to giving only. This is especially regrettable as it was not at all impossible for Germany to maintain the position it had hitherto held, even in the event of the question of power being brought up. By "mutual understanding" we do not understand one-sided concessions any more than "purely" declarations of respect and love to one another.

To all appearances Germany has let the good chance of material compensation slip

through her fingers, and this fact is all the more remarkable seeing that a short time ago, in the "Norddeutsche Allgemeine Zeitung," it was stated that the attitude of Germany was most decidedly in favour of the German company obtaining the right—also as regards the Koweit matter—to carry out their project and finish the railway. It was afterwards suggested that the railway could be carried to another point on the coast, but nothing further in that direction has been said, and this fact sets one thinking. Now the question regarding international control of the southern section is being discussed, and England wishes to put the said section under English control by placing an English manager there. In addition to this, there is another point to be discussed—the one concerning the extent to which the various Powers can participate—as Great Britain, as was foreseen, wishes that her participation, together with that of France, should be greater than that of Germany and Turkey put together. The Turkish Government is transacting the business, but here, again, it is necessary for us to state that, according to the tenour of the "Norddeutsche Allgemeine Zeitung," the German Government has, at any rate, made conditions in the matter, that, in a roundabout way, state the limits of the sphere of the negotiations. Above all, the question which is of the greatest importance to us now is, whether the tendency that has hitherto shown itself, the tendency to give up without demanding any service in return, will continue. This question seems all the more urgent to us, because, without considering the value of the railway to Germany, in this case, as remarked above, a valuable object of compensation has been thrown away, the object of compensation being to England of a value that can scarcely be overestimated.

In the Reichstag the railway was praised by the Liberal party as being a great "work of civilisation" in itself. It is a well-known fact that we hold other opinions as to the value of the railway as far as its effects on German political economy are concerned; and, in view of the actual fact, we consider it all the more important and necessary that the railway project be carried through, so that the political advantages which it would give us, indirectly through the strengthening of Turkey, and also as an object for exchange when giving up the southern section, may really be obtained. These two sides of the question, the economic and the political point of view, are shortly to be discussed in their relationship to each other.

II.

It is said that the Bagdad Railway is to be a work of civilisation of tremendous importance. This remark has been made so often and repeated with such absolute certainty that any expressions of doubt on the matter draw forth remarks of indignant surprise. Let us go into the question more closely.

The great apprehensions that exist as a result of the questions likely to arise with regard to the Bagdad Railway on its completion are well known to our readers. In short, they are mainly due to the fact that to sow the plain of Mesopotamia with German wheat, especially at the time of a universal economic crisis, will be to run a great risk. Some time ago Professor Ruhland proved (and he was the first to do so) that it would be just as difficult as it was during the time of the Argentine crisis at the beginning of the "nineties," in view of Turkey's heavy indebtedness, to find a means of defence strong enough to prevent the German market being over-stocked with Turkish wheat. No one who has thought over this problem seriously can fail to see its importance.

The only radical means by which such results may be prevented is by following the maxim upon which the "Deutsche Tageszeitung" always lays great stress, and which says that the German Empire should be made as independent of other countries as possible, not only as regards agriculture, but also with regard to other branches of political economy. In taking precautions against the Mesopotamian danger in particular, the statement made and proved by Russia, to the effect that international economic competition is after all a question of capital, would serve as a guide. The problem could accordingly be worked out in two ways. Firstly, in Germany by protecting home industries by the nationalisation of capital, in fact by adopting a policy which has as its first aim the organic development of the people. These suggestions seem to have nothing to do with the subject in question, but in reality it is only by carrying out the same suggestions that the danger is apprehended in the future; the danger to German political economy may be avoided or removed. The danger in itself is infinitely greater than the advantages that might, under the most favourable circumstances, be gained from the Bagdad Railway as far as industries and commerce are concerned. It is an

accomplished fact that the railway will be built. The parties in the Reichstag approve of the project. Now, it is the business of the Government to foresee and prepare for all possible emergencies, so that no harm may come to Germany where advantages were promised. As regards industries and commerce, however, it is somewhat doubtful whether German industries and German commerce would derive any considerable benefit from the new means of communication for any length of time, and that doubt increases when one remembers that it is now more than probable that the southern section perhaps, but most certainly for all that, will come under English management and control. The Bank of Germany may make some money out of the affair, but that is a matter which excites little general interest now.

The other means, in addition to the one just proposed, by which the danger to political economy can be averted, would, in our opinion, be by having a German policy which would aim at reducing the indebtedness of Turkey, and at making the Turkish Valuta capable of offering resistances. Here, of course, we must consider whether young Turkey will be able to firmly establish peace and order in its own country, and whether it will succeed in remaining at the head of affairs. Turkey, in a state of collapse, politically and financially, with 5,000,000 hectares of Mesopotamian soil sown with wheat, and in the hands of the English would be the worst possible outlook for German political economy.

We are fully conscious of the fact that the matter does not deal with events and with a development that will take place between this and to-morrow.

The northern section of the railway, up to Bagdad, will take at least five years to construct, and the southern section will hardly be completed within that period of time. The great plans for irrigation designed by the Englishman Willcox cannot be carried out until the railway is finished, and only when the irrigation had worked the desired effect would it be possible for corn growing to begin to any large extent. Then there would be the question of colonisation, and of workmen, to be discussed, at least as regards the system to be adopted. It will be necessary to allow for the fact that the English may have the power to decide that question and that therefore Indian workmen might be employed. It would be advantageous and profitable to Germany if cotton were grown on a large scale, for then not only would the corn danger be lessened, but we should also be less dependent on the United States as regards cotton. At any rate Germany should, by all means in her power, endeavour to do something in this direction. If the evil effects do not make themselves felt in this decade, that should only be one more reason why the German Government should build protecting walls on the strong foundation of that economic policy of independence, walls which would put us out of reach of all danger.

From what has been shown above and also from what has been said in the first part of this article, it may be seen that it is in the interest of Germany, in every way, to assist in the strengthening of Turkey, internally and externally. Such a result would have been attained if the Bagdad Railway had been entirely in the hands of Turkey, in conjunction with an influential Power that considers the strengthening of Turkey desirable and necessary. In the hands of Turkey the railway would have strengthened and established the power of Constantinople in the whole of that large territory as far as the Persian Gulf. The old English plans for having a railway running across Egypt to India would have been finally frustrated, for they are assumed to be weak, and would result in the ruin of the Turkish Empire in Asia. Turkey strong, in possession of the railway, and on good terms with the German Empire, would be a position that would have to be seriously considered by England, if she contemplated declaring against Germany. In short, the political advantages would have been considerable. Now it seems that we are well on the way towards surrendering the southern section of the railway to England, and however well the contracts may read, yet all the points of view alluded to, not one logical conclusion is to be found in the German policy. Germany is not withdrawing the one condition through the fulfilment of which we hoped to have some good prospects for the political side of the question. It seems very doubtful now whether Turkey will be strengthened by the Bagdad Railway. On the other hand, it seems certain that English influence will increase, and there is no need for us to prove that England does not aim at strengthening Turkey.

The speculations with reference to the "great work of civilisation," the Bagdad Railway—now a thing of certainty—are therefore not of the most satisfactory kind. We can only maintain that the beginning and the end of all the diplomatic moves of the last few months is that the British Government has succeeded to an extent that surpasses her wildest hopes, a fact that the English press unanimously admits. Germany always said most emphatically, up till now, that the construction of the Bagdad Railway would

remain under German management. Nothing, however, has come of all that talk, and this truth strengthens our doubts concerning our political economy, for the favourable political side of the question that we had in view before—the strengthening of the Turkish Empire with regard to politics and political economy—will, to all appearances, no longer exist.

England has also attained that which she considers necessary to her position on the Persian Gulf. The harbour of Koweit, when it is the terminus of the southern section of the Bagdad Railway, will sooner or later become an English trading port, and from that to a naval port there is only one short step. Without doubt, all the Powers concerned to-day would refuse to acknowledge such a possible development of affairs, but we are convinced that things will come to such a pass.

Finally with regard to the Persian Gulf, England looks upon this as her property. We take the opportunity of pointing out the peculiarity and monstrosity of the claim, which pretends that the Persian Gulf, not a portion of the shores of which is British, is a *mare clausum* belonging to Great Britain. This claim goes so far that, never to our knowledge, has a German war-ship shown its flag there. At the same time, on the shores of the Gulf, and especially on the Persian side, there are Germans enough who carry on trade, and for whose position it would be to the greatest advantage if the German flag were to be seen there too. Besides we see German war-ships in all seas of the world. Why not in the Persian Gulf? It seems quite incredible to us that there should be no need for them there, and that no wishes have, up to the present, been expressed in that direction. It would be a deplorable state of things, if such wishes had to be silenced because England desired that no German war-ship should enter the English *mare clausum* between Arabia and Persia. Now when that entirely political branch of "friendly" negotiations between the German and the British statesmen exists as a foundation on which to work, it is to be expected that this point will also be settled in a manner that is more in accordance with the "open door." A *mare clausum*, a room which only England may enter, is no longer in conformity with the present conditions.

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No. 32.

Sir H. Babington Smith to Sir A. Nicolson.—(Received April 20.)

Sir,

Constantinople, April 13, 1911.

I WROTE to you on the 22nd ultimo with reference to the large loan which has been proposed for the construction of railways. I am sorry to learn, through Sir Ernest Cassel, that the Foreign Office is unable to assist us in obtaining the assent of Russia, in order to further our natural desire to take part, either independently, or in co-operation with French interests, in a scheme of railway construction and finance, which must absorb the remaining energies of Turkey in that direction for the next ten years. From the economic point of view, I confess the arrangement appears to me an unequal one. We are to abstain from all competition with the French, and from all claim to co-operate with them, in an operation extending to perhaps 25,000,000*l.*, in return for their resigning to us any interest they might have in an undertaking involving perhaps one-sixth of that amount.

I do not understand that this circumstance would prevent the Foreign Office from assisting, by friendly suggestion to the French Government or otherwise, in bringing the French interests to make an offer to us of participation in the business. I have been endeavouring to make suggestions in this direction, through the Turks, who would very much prefer an Anglo-French scheme; and certain French friends of the National Bank have been working in the same direction. From the information which I receive, I believe that the French financial interests might very easily be induced to take this view; but so long as the impression prevails that the British Government has no wish whatever to bring about such co-operation, I fear that they are not likely to move. I have telegraphed to Cassel, asking whether it is possible to persuade you to take a less negative attitude, and you may hear from him before this letter reaches you.

We have recently made proposals to the Government regarding the ports of Samsoun and Trebizonde, and any other ports whose construction the Government may have in view. We have proposed to them that they should conclude with us a "contrat d'études," with a view, of course, to entering into a definite contract for the construction and working of the ports later on. I discussed the matter with the Grand Vizier

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yesterday, and I found that he was very favourable to the idea, since, from the political point of view, he would like to see English interests, as well as French, established in that part of the world. He had, however, a little apprehension, lest the French should claim that the ports ought to form part of the railway scheme. The French have not made any mention of the ports in connection with this scheme; and I think he felt that this being so, he was perfectly at liberty to enter into a contract with us, so far as the French were concerned; but he said he would like to know that he would not be met with a veto from the British Government, as in the case of last year's loan. I told him that I did not conceive it possible that such a thing could happen in this case, but that I would take steps to obtain an assurance that there was no danger of such an obstacle arising.

I therefore put the matter before you, and shall be glad if you will enable me to say that if the Ottoman Government is ready to enter into a contract with us with regard to these ports, it will be a cause of nothing but satisfaction to the British Government.

I have had several interviews with Mr. Spitzer regarding the fusion of the National Bank and the Bank of Salonica, and we have made some progress in the negotiation. This morning, however, he received a telegram from Paris saying that the attitude of the Ottoman Bank had become less favourable, and that the Ottoman Bank stated that they had received absolutely authentic information of recent date that the British Government took no interest whatever in the fusion of the two banks, and would view with indifference the disappearance of the National Bank. I cannot conceive how such an impression can have been produced; but you will readily understand that so long as it prevails it would be perfectly futile to pursue the negotiation, since it is not to be expected that either the French Government or the Ottoman Bank will facilitate the arrangement, if they believe that the National Bank is not supported by the British Government. I at once reported this to Sir Gerard Lowther, who has telegraphed to you; and I have also telegraphed to Sir Ernest Cassel. I hope that you may find it possible to take steps which will at once, and effectually, remove the erroneous impression.

You will remember that once before, the London committee of the Ottoman Bank entirely misrepresented the attitude of the Foreign Office, and I should be inclined to attribute the present misapprehension to the same source.

I have, &c.

H. BABINGTON SMITH.

[14804]

No. 33.

Sir F. Bertie to Sir Edward Grey.—(Received April 21.)

(No. 177.)

Sir,

Paris, April 20, 1911.

I SAW M. Cruppi yesterday, and mentioned to him the presence of Sir Ernest Cassel at Paris in connection with negotiations for a fusion of the National Bank at Constantinople with the Salonica Bank. I said that there was a hitch in the negotiations owing to the attitude of the Ottoman Bank, with which establishment the Salonica Bank was to negotiate an arrangement. It had been asserted—apparently in the interest of the Ottoman Bank—that His Majesty's Government took no interest in the proposed fusion, and would view with indifference the disappearance of the National Bank. This was, however, not at all the case. You were in favour of Anglo-French financial co-operation, but if, owing to the opposition of the Ottoman Bank, it became impossible, you would continue to support, when necessary, the National Bank. On every occasion that attempts had been made by the British and French Governments to bring about Anglo-French co-operation at Constantinople the Ottoman Bank had worked against it and prevented it, and it was to be hoped that it would not be allowed to do so again, and cause a conflict of interests between the two Governments.

M. Cruppi said that he was anxious for an arrangement, and he hoped and believed that there would be one. On my expressing some doubt on the subject, if the Ottoman Bank made it a condition that the relative participation in undertakings of the Ottoman and National and Salonica Banks should be in proportion to the share capital of each of those establishments, M. Cruppi observed that it would be difficult to decide it in any other way. I thereupon told him that Sir Ernest Cassel had pointed out, in regard to

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No. 32°.

Sir G. Lowther to Sir Edward Grey.—(Received April 20.)

(No. 97.)

(Telegraphic.) P.

Constantinople, April 20, 1911.

IN the Chamber yesterday, during a debate on the budget of the Ministry for Foreign Affairs, a committee deputy attacked the Cabinet on the ground that, while the country desired to maintain friendly and intimate relations with France and England, the Government pursued a pro-German policy. Rifaat Pasha was asked by another deputy to explain the divergence between the declaration made by him, as a result of assurances given him by the German Ambassador, to the effect that Persian affairs formed the sole subject of the Potsdam agreement, and the revelations consequent on the Maimon affair, which made clear the authentic foundation of the version of the agreement, including article 3, published by the "Evening Times." It seems that Rifaat Pasha's position has been weakened to a considerable extent. He will not reply to these attacks until Wednesday next.

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the disparity of share capital, that the financial power of the National and Salonica Banks was greater than that of the Ottoman Bank.

I have, &c.

FRANCIS BERTIE.

[12979]

No. 34.

*Foreign Office to Admiralty.**

Sir,

Foreign Office, April 21, 1911.

THE Lords Commissioners of the Admiralty are aware that an agreement has recently been concluded between the Ottoman Government and the Bagdad Railway Company whereby the latter renounce, under certain conditions, their right to construct and work the section which is to connect Bagdad with the Persian Gulf as well as to construct the port at Bussorah or on the Gulf in favour of a new Ottoman company to be formed for these purposes, and that negotiations are at present in progress between His Majesty's Government and the Ottoman Government to settle the question of British participation in the building and control of this section. It is stipulated that the German share in the new company shall be equal to that of any other foreign Power participating.

The Ottoman Government have already communicated to His Majesty's Government proposals as to the nature and extent of this participation, and the reply which is to be returned to them is now in course of preparation.

One of the most important questions for settlement in connection with the subject is that of the terminus of the line on or near the Persian Gulf.

This question involves important considerations of a political, commercial, and strategic nature, and it is in regard to these last that I am directed by Secretary Sir E. Grey to request an expression of their Lordships' opinion.

It is necessary in this connection to decide whether His Majesty's Government shall make it one of the conditions of British participation that the terminus of the line shall be at Koweit (with the port under British control), and refuse to participate unless this stipulation is accepted, or whether it would be more to the interests of this country if the terminus were at Bussorah.

As their Lordships are aware, Great Britain occupies a privileged position at Koweit, holds a lease of the foreshore, and has incurred special obligations towards the local ruler in virtue of agreements hitherto kept secret.

The advantages of prolonging the line to Koweit are very great, as it affords the best natural harbour at the Gulf which large vessels can enter, whereas access to Bussorah is impeded by the bars, and would require a large initial expenditure to keep it clear.

If British capital participates in the railway these are important considerations from an economic point of view, whilst the fact of the terminus being in the territory of a sheikh bound to Great Britain and on land leased by His Majesty's Government would, it is thought, largely compensate for the disadvantages inherent in a strategic line to the Persian Gulf.

It might further be stipulated that the harbour should never be fortified if, in the opinion of the Lords Commissioners, this stipulation would be of advantage. The attitude of the sheikh cannot altogether be ignored, and it is thought he would certainly welcome the advent of this line to his territory, and might possibly resent it if His Majesty's Government stepped in to prevent it.

On the other hand, it has been argued that certain disadvantages would attend the creation of a port at Koweit, which would then become the terminus of a great international line; that it would be difficult for His Majesty's Government to retain any effective control over the port, and that the tendency would be towards greater interference by Turkey, whereas if the line terminated at Bussorah these difficulties would not arise.

Sir E. Grey would be glad to be favoured with their Lordships' opinions on the point at an early date.

I am to transmit to you herewith copies of papers bearing on this question in order to facilitate its consideration, including, for convenience of reference, the report of the

* Also to Director of Military Operations, *mutatis mutandis*.

Interdepartmental Conference on the Bagdad Railway terminus to Sir E. Grey (dated the 2nd October, 1907),^{*} which is already in their Lordships' possession.

A similar letter has been addressed to the Director of Military Operations.

I am, &c.

LOUIS MALLET.

[12979]

No. 35.

Foreign Office to Board of Trade.

Sir,

Foreign Office, April 22, 1911.

I AM directed by Secretary Sir E. Grey to acknowledge with thanks the receipt of your letter of the 7th instant relative to the question of British participation in the construction and control of the southern section of the Bagdad Railway.

As regards the question whether the selection of Koweit as the terminus of the line should be made an essential condition of such participation, I am to state that Sir E. Grey is at present in consultation with the Admiralty and with the Director of Military Operations as to the strategic aspect of the proposal, and, till he is in possession of their views, can pronounce no decided opinion on this point.

As regards the proposal contained in your letter that it should immediately be arranged to hold confidential conferences with the authorities of the National Bank of Turkey and the Bagdad Railway Company, I am to state that Sir E. Grey would deprecate any communication with these for the present, and considers that the reply of His Majesty's Government and the recent proposals of the Ottoman Government should first be agreed on and drawn up, and that it should be communicated direct to the German Government.

Sir E. Grey prefers not to discuss, for the time being, what should be the policy of His Majesty's Government in the event of their not being able to obtain the 50 per cent. share of control in the southern section of the line which it is proposed to demand, but he concurs in the view that the acquisition of this proportion should be made a condition of consent to participate in the first instance.

I am, &c.

LOUIS MALLET.

[15137]

No. 36.

Sir G. Buchanan to Sir Edward Grey.—(Received April 24.)

(No. 104.)

Sir,

St. Petersburg, April 13, 1911.

THE "Novoe Vremya" has published two leading articles on the latest developments of the Bagdad Railway question, in which it refers with great bitterness to the meetings at Potsdam.

The first of these articles, published on the 12th April, deals with the concession to Germany of a port at Alexandretta and the right to connect that port with the Bagdad Railway. Germany, the article says, obtains thus at one stroke her first naval base in the Mediterranean and a free road for her trade into Persia and India. This is indeed a triumph for German diplomacy, and it is to be attributed directly to Russia's abandonment at Potsdam of her opposition to the Bagdad Railway scheme.

The article goes on to say that a representative of the paper called at the Ministry for Foreign Affairs to enquire about the Alexandretta concession, and was informed by an official of the Ministry that this concession had no connection whatsoever with the Potsdam conversations, and that Turkey, being a free country, had full liberty to grant what concessions she desired. From this view the writer of the article begs to differ. As long as Russia persisted in her negative attitude towards the Bagdad Railway scheme, Germany could not find the means to construct the railway even as far as Bagdad. Now all that is changed, and Germany acquires a naval base on the

^{*} India Office memorandum on Interdepartmental Conference of 1907; Memorandum on Interdepartmental Conference of 1911; Sir G. Lowther, No. 190; ditto, No. 213; Board of Trade to Foreign Office, April 7; India Office to Foreign Office, March 29; Telegraphic correspondence with regard to Koweit, communicated by India Office, April 6; India Office to Foreign Office, March 3; Foreign Office to India Office, March 16, 1911.

Mediterranean and a road for her commerce into the heart of Persia, where Russian commerce formerly reigned supreme.

The writer contemptuously dismisses the theory that the Russian representatives at Potsdam had no right to discuss the question of Turkey's granting concessions in her own territory. It is clear enough, he says, that a formal concession by the Ottoman Government was not considered sufficient by Germany for the realisation of the Bagdad Railway scheme. Germany had to obtain Russia's consent as well, and Russia gave it without obtaining any corresponding advantage. A line from the Bosphorus to Bagdad is of no great political importance to Russia, but it is far otherwise with a line from a naval base on the Mediterranean into the heart of Asia, and at Potsdam Russia missed her opportunity of striking a bargain. The article closes with a bitter criticism of Russian diplomatic methods, saying that her representatives always exhibit an absurd respect for international jurisprudence, and an equally absurd disregard of political expediency. "What Russia needs is a little less of politics in her jurisprudence and a little less of jurisprudence in her politics."

The second article, published on the 13th April, deals more especially with rumours as to the course of the Russo-German negotiations. The writer says that the delay in putting the results of the Potsdam meetings on paper is variously ascribed to M. Sazonov's illness, to unforeseen difficulties, or to the discovery by M. Kokovtsoff that Russia has not enough funds at her disposal to construct the Tehran-Khanikin line, and that Germany has in consequence agreed to find the necessary capital herself. The writer inclines to the belief that the delay emanates from Berlin, and that Germany, in direct contradistinction to the Russian practice, relies more on accomplished facts than on written documents, and is in no hurry to sign papers. A simple verbal exchange of promises at Potsdam has lent wings to the Bagdad Railway Company, and made possible the immediate financing of the unconstructed section of the Bagdad line. It has induced England to consent to the construction of the Gulf section, and has made it possible for Germany to obtain a coaling station on the Mediterranean and to carry her commerce to Russia's Caucasian frontier, to Persia, to the shores of the Persian Gulf, and beyond.

The writer then sounds a warning note as to Austria-Hungary. Germany has renounced direct participation in Persian railway construction, but Austria-Hungary has not, and Austrian financiers may appear on the scene at any moment. In all these circumstances, it is not surprising that Germany should be willing to wait awhile and give the Russian Ministry for Foreign Affairs a breathing space.

In conclusion, the article wonders why it is that when Russian statesmen undertake journeys abroad the invariable result is that their courteous hosts reap material advantages, while Russia suffers irreparable and mortifying loss.

I have, &c.

GEORGE W. BUCHANAN.

[15138]

No. 37.

Sir G. Buchanan to Sir Edward Grey.—(Received April 24.)

(No. 106.)

Sir,

St. Petersburg, April 15, 1911.

WITH reference to your despatch No. 104 of the 11th instant, transmitting to me copies of the correspondence which has passed between Lord Grimthorpe and your department on the subject of the negotiations which Mr. Williams has been conducting at St. Petersburg for the construction of a railway from Julfa to Tabreez, I have the honour to state that Lord Grimthorpe is quite mistaken in thinking that the success of Mr. Williams's negotiations has been compromised by any statement that has been made by His Majesty's Embassy.

On Mr. Williams's arrival in St. Petersburg about a month ago, I gave him an open letter of introduction to the Minister of Finance, in which he was described as the "représentant d'un important syndicat anglais dont Lord Grimthorpe est président." Not only did Mr. Williams take no exception to the terms of this letter, but he even took the trouble of writing to thank me for the assistance which I had given him. On the 31st March he again wrote to me, saying: "Affairs have so developed here that it is important I see the Minister of Agriculture, and I would be so much obliged if you would give me a letter to him such as you gave me for the Finance Minister." This I accordingly did, and, before leaving St. Petersburg, Mr. Williams sent me a further letter of thanks.

[1501]

P

It is hardly necessary for me to say that I have never described Lord Grimthorpe as being a director of a "freak company," all the more so that I was entirely ignorant of the fact that he had ever been a director of Steele, Lockart, and Co., or that that company had ever done anything to merit the imputation of being a "freak."

I may mention that in a conversation which I had with the Minister of Finance a few days ago his Excellency informed me that the terms proposed by Mr. Williams were quite unacceptable, and this latter fact probably accounts for the failure of his negotiations.

I have, &c.

GEORGE W. BUCHANAN.

[5141]

No. 38.

Sir G. Buchanan to Sir Edward Grey.—(Received April 24.)

(No. 110.)

Sir,

St. Petersburg, April 18, 1911.

IN the course of a conversation which I had with the Acting Minister for Foreign Affairs yesterday, I observed that the Russian press had of late been devoting much attention to the Potsdam interview, and seemed at a loss to explain the slow progress that was being made with the Russo-German negotiations.

M. Nératow replied that all that he could tell me on the subject was that nothing whatever had passed between the two Governments since M. Sazonow had handed Count Pourtalès the revised text of the draft agreement. He did not know whether this silence on the part of the German Government was to be accounted for by their desire to wait till M. Sazonow was sufficiently recovered to be able to resume the conduct of the negotiations which he had initiated or to some other cause. He, personally, was inclined to believe that they desired to see what would be the outcome of the negotiations which His Majesty's Government were conducting at Constantinople on the subject of the Bagdad Railway before replying to the last Russian proposals.

M. Nératow then proceeded to speak to me on the subject of your conversation with Count Benckendorff, of which you communicated to me the substance in your despatch No. 105 of the 10th instant. His Excellency said that he thought it most important that the solidarity of the "Triple Entente" in the matter of the Bagdad Railway should be manifested to the world, and that he had therefore suggested that Russia, as well as France, should participate in the Bagdad-Gulf section. He understood from what you had told Count Benckendorff that there might be difficulties in the way of the internationalisation of this section; but, if this proved to be the case, the object which he had in view might be attained by an *amorcellement* of the line.

I enquired whether he meant by this that the Bagdad-Gulf section should be divided into different *tronçons*, as that would in my opinion be very difficult to arrange. His Excellency admitted this, and said that it would be sufficient if each of the three Powers acquired an interest in one or other of the different parts of the Bagdad Railway system. Thus were Great Britain to obtain the control of the Gulf section, Russia might be given the Sadidjeh-Khanikin branch, while France might take over some other section.

I said that I believed that France's aspirations were fixed on railways in another direction, and that, moreover, I did not quite see where she was to come in, unless it was on the Bagdad-Gulf section. M. Nératow thereupon suggested the branch line to Alexandretta, but I pointed out that this was an arrangement to which Germany was never likely to consent.

I gather from the above conversation that M. Nératow desires to revert to M. Sazonow's original idea of claiming for Russia the right to construct the Sadidjeh-Khanikin line in the event of Great Britain obtaining satisfaction with regard to the Bagdad-Gulf section (see my despatch No. 482 of the 9th December last).

I have, &c.

GEORGE W. BUCHANAN.

[15143]

No. 39.

Sir G. Buchanan to Sir Edward Grey.—(Received April 24.)

(No. 112. Confidential.)

Sir,

St. Petersburg, April 18, 1911.

M. KHOMIAKOFF and M. Zweguintzow called on me yesterday and spoke to me on the subject of the trans-Persian railway.

They said that the Russian group had now been constituted, and that they were only awaiting the answers of the British and Indian Governments, expressing approval of the scheme, to send delegates to London to enter into negotiations with the group, which, they trusted, would shortly be formed in England. They were most anxious that the reply of His Majesty's Government might soon be forthcoming, as it was most important that they should receive it before people began to leave St. Petersburg in another month. They both took a very optimistic view of the prospects of the railway, and expressed the hope that a source of indirect guarantee might be derived from the surplus revenues gained by the Russian and Indian railways from the increased freights brought them by the new railway.

They finally asked me to forward to you the accompanying confidential statement, which they have since sent me in the enclosed letter.

I have, &c.

GEORGE W. BUCHANAN.

Enclosure 1 in No. 39.

MM. Khomiakoff and Zweguintzow to Sir G. Buchanan.

M. l'Ambassadeur,

Saint-Petersbourg, le 4 (17) avril, 1911.

NOUS avons l'honneur d'adresser ci-joint à votre Excellence trois exemplaires d'un exposé confidentiel de la situation actuelle du projet d'un chemin de fer de transit à travers la Perse. La copie d'une partie de cet exposé a été envoyée par M. Timiriazeff, ancien Ministre du Commerce et membre du Conseil de l'Empire, à Mr. Huth Jackson, gouverneur de la Banque d'Angleterre, conformément aux arrangements pris en novembre dernier pendant les négociations poursuivies à Londres par MM. Timiriazeff et Zweguintzow au nom du groupe russe pour la construction du chemin de fer mentionné.

Nous nous permettons de prier votre Excellence de bien vouloir transmettre ledit exposé à Sir Edward Grey et à Sir Arthur Nicolson.

Veuillez, &c.

N. KHOMIAKOFF.

A. ZWEGUINTZOW.

Enclosure 2 in No. 39.

"Exposé" respecting the Trans-Persian Railway.

(Confidential.)

IT can be assumed that the scheme of a trans-Persian railway, the overland route to India, has been favourably received in England. The doubts which have been expressed do not apply either to the idea itself, which to the belief of all will some day be realised, or to the political aspect of the scheme, which very opportunely fills a gap not only in trans-continental, but even more so in British Imperial communications. The Russian group held from the beginning the belief that the scheme could be carried out in the near future. But it realised fully, without overrating their value, the obvious financial difficulties which have been pointed out from many sides. Since November last, when MM. Timiriazeff and Zweguintzow negotiated in London on behalf of the group, it has set itself the task of studying the various financial aspects of the scheme. A staff of engineers and experts has actually finished its work under supervision of M. Petchkovsky, chairman of the Rostoff-Vladicaucase Railway and member of the group. It is our aim, leaving aside all the details and the calculations, to expose only the net results of these fore-studies, which, we believe, are able to present the whole plan under an entirely new light. It is generally considered as an obvious fact that a railway line in Persia can be built only under a direct Government guarantee. The

aforesaid preliminary studies enable us to state that this point of view appears not quite correct when applied to a railway establishing a direct and uninterrupted overland communication between Europe and India, and to corroborate our statement by the following data :—

1. *Preliminary Forecast.*—The length of the railway across Persia will not surpass 1,400 miles, out of which 140 miles have been added in order to avoid the deserts of Dechet and Lut. The building expenditure is calculated at 18,700,000*l.*, the rolling-stock included. (The Russian group possesses surveys made in 1900 by Russian engineers for a large part of the line from the Russian frontier up to Kerman.) This preliminary forecast has been made as broadly as possible within reasonable limits. English experts have expressed the belief that the expenditure would not surpass 15,000,000*l.* The possible receipts of the railway can be obtained from the following sources :—

(a.) Passengers and valuable goods going from Europe to India or vice versa. This paragraph contains also postal communications. Very valuable goods only (over 400 <i>l.</i> the ton) are taken into consideration, on a very moderate scale. Through goods from Europe to Persia are quite left aside.	£
(b.) Goods going from Persia to Russia and British Beluchistan or vice versa	1,422,000
(c.) Local passengers and goods	637,000
(d.) Revenue from the use in express train of cars belonging to the Trans-Persian Railway. (The construction of these cars is included in the afore-mentioned building expenses)	222,000
Total	154,000
The expenses, the guarding of the railway included, are calculated at	2,435,000
The net revenue being, per annum	1,725,000
	709,000

2. *Indirect Guarantees.*—A source of indirect guarantee can be extracted from the surplus revenue gained by the Russian and Indian railway nets after the opening of the direct trans-continental communications. These revenues are valued at 460,000*l.* for the 2,225 miles of Russian railways, which will enter into the through line from Europe to India. The Russian Government, being opposed to a direct guarantee, which may impose a certain burden on the Exchequer, has admitted, on the contrary, the possibility of assuring the interests of the share and bondholders of the new railway out of that sum, which is an unforeseen receipt, obtained thanks to the new through traffic. The same reasoning may be applied to the 1,400 miles (up to Bombay) or miles (up to Calcutta) in India and British Beluchistan, the whole sum exceeding the 709,000*l.*, which the Persian line itself will be able to give to satisfy the said interests. There is no doubt possible that a sum of 1,200,000*l.* per annum would be amply sufficient for that object, out of which only 500,000*l.* have to be provided in the aforesaid manner or in any other way, which can be suggested by the future "société d'études." There is no doubt possible as to the probable development of Persia owing to the railway, which may be combined with useful branch lines. One can also feel secure that, as every new highway of communication and of civilisation, the Indo-European trunk line will create an exchange, of people and of goods, which it is impossible to foretell. The main thing is that, having vast possibilities, the projected railway is based on tangible realities, whereas many railways in Africa, America, or elsewhere have been built with only a reasonable hope for a more or less distant future. Though these preliminary calculations have been made in a prudent manner and are based exclusively on official statistics and established facts, the Russian group believe that further investigations must be begun on a large scale by a special company or syndicate ("société d'études"). That syndicate will have to prepare the ground in all respects for the railway company, to obtain the concession from the Persian Government, and to negotiate all necessary arrangements with the States interested in the through traffic. Russian banks and railway companies have already subscribed a considerable sum for that object, and we may safely assume that at the present time we have obtained all that could be done on the Russian side in order to support the scheme. The next step consists in the formation of the "société d'études" and depends wholly on the attitude of the British Government and of competent circles in England.

Latest Events in Politics.—The latest events may influence to a certain extent that attitude and make necessary some observations about what we consider as the favourable political consequences of our scheme, which is a direct result of the Anglo-Russian agreement and of the mutual confidence which has arisen as its sequel. After

the division of Persia into spheres of influence, the interest of both England and Russia in that country have become identical as far as they are in touch. The integrity of Persia is now a political necessity to both countries and can be assured in the best way by a well-organised Government and by a great railway trunk, which is a guarantee of neutralisation. The absolute lack of improved means of communication makes the regeneration of Persia an impossible task, and the situation may be resumed in a very few words—no roads, especially no railroads, and no resources to keep up order. On the other hand, as a preliminary to the construction of railways, the question of Government guarantees crops up again.

We will repeat here that this last question can be solved adequately only by the construction of a great central trunk line through Persia, with the embranchments necessary for the development of the country. On the other hand, the various plans which are now under discussion imply a great expenditure, whilst they lack the principal financial asset of the trans-Persian railway—the direct communication with India.

Khanikin-Tehran.—The Khanikin-Tehran line, to which Russia has a right of preference, would lose a great part of its signification and would become financially a difficult problem when a through line running from Baku to Kurrachee would have come into existence. Indian goods will certainly use the direct way, and European goods would find it shorter and cheaper by Russia. In any case, the Khanikin line would have to be built in competition with railways already existing, and there could never be a serious danger of preference tariffs on that line.

Other proposed Railways.—We may as well point out here a certain contradiction which has made itself felt when the question of Persian railways was discussed in various quarters. The same who express doubts about the financial realisation of the trans-Persian scheme advocate a series of railways which would cover the Persian territory with a very expensive spider's web. In that respect we will mention, besides the Khanikin-Tehran Railway, the Trebizond-Van-Khoi line, the Shuster-Tehran line, the Nushki-Seistan line, and, on the Russian side, Enzeli-Tehran and several other lines of penetration. It is evident that these lines, put together, greatly surpass the total length of the projected route. It is strange that they should seem realisable, although their commercial and political value is very small indeed when compared with the overland way to India.

General Advantages.—There is no need to discuss here at any length the various political problems which arise in relation to our scheme. The advantages of the proposed railway can be summarised shortly as follows :—

1. It is the shortest line. We do not mean that it is the shortest link between the Indian and the European railway systems, which would be over Afghanistan, and not over Persia. What we mean is the shortest through line, Calais-Calcutta or Calais-Bombay, taking into consideration the railways already existing. The journey, London-Calcutta, will be possible in less than eight days.

2. It is an uninterrupted line, with no sea to cross from the Channel up to India.

3. It is the cheapest line for goods and passengers owing to the low Russian tariff, applied to 36 per cent. of the distance, Calais-Bombay. The first-class fare, London-Bombay, will be less than 40*l.* It is also the cheapest to build, thanks to geographical conditions, whereas any line in Southern or Western Persia presents very serious difficulties.

4. It is the most favourable line politically, as 84 per cent. of the whole distance from India to Bombay is under British or Russian control; whereas the Bagdad line, for instance, depends even more than the Suez Canal on the attitude of Turkey.

One may add that with the construction of the trans-Persian railway the situation in the Mediterranean loses a part of its vital importance for Imperial communications. Any Russian port—even Archangel—may prove useful for the transport to India of British troops.

5. It does not unite the Moslem world of Turkey with their coreligionaries in India.

6. It simplifies the solution of the Persian Gulf question as well as that of the Bagdad Railway, which will keep all its enormous signification for Turkey, but will not absorb Persian commerce and will not threaten communications with India.

Conclusion.—The members of the Russian group who will assume the task of pursuing negotiations in England will hold at the disposal of the British Government, and of competent persons, the details and calculations which are the result of the aforementioned work.

Appendix.

List of the Members of the Russian Group for the Construction of a Transit Railway Line across Persia.

- A. Bunge, engineer, chairman of the Russo-Belgian Company, of the Eisk Railway, &c.
 N. Khomiakoff, ex-president of the Duma, member of the Duma.
 V. Timiriazeff, ex-Minister of Commerce, member of the Council of the Empire, chairman of the Anglo-Russian Chamber of Commerce and of the council of the Russian Bank for Foreign Trade.
 W. Petchkovsky, chairman of the Vladicaucase Railway.
 N. Goutchkof, mayor of Moscow.
 Count Andrew Bobrinsky, chairman of the Union of Russian Sugar Manufacturers.
 Paul Goukassov, member of the Council of Empire, chairman of the Caspian Naphtha Company and of the council of the Bank for Commerce and Industry.
 Prince Alexander Obolensky, member of the Council of Empire.
 Peter Bark, director of the Volga-Kama Bank.
 V. Joukovsky, member of the Duma.
 A. Zweguintzow, member of the Duma.
 V. Sahansky, engineer, head engineer of the fore-studies for a railway across Persia in 1900.
 N. Raffalovich.
 W. Ewert, manufacturer.
 S. Palachkovsky, engineer.
 E. Dymsha, director of the Vladicaucase Railway and of the Maltzef Works.
 A. Pommer, director of the Russian Bank for Foreign Trade.

[15422]

No. 40.

Enclosures in India Office Letter.—(Communicated April 25.)

(1.)

*Captain Birdwood to the Government of India.**Bushire, March 19, 1911.*

WITH reference to Colonel Cox's telegram from Fao dated the 24th February, I have the honour to forward, for the information of the Government of India, copies of telegrams, which have since passed, on the subject of the projected railway to the north from Mohammerah.

(2.)

*Sir G. Barclay to Lieutenant-Colonel Cox.**Tehran, March 13, 1911.*

(Telegraphic.) P. PLEASE refer to my telegram and your reply. You suggest, in the possible event of our being unable to overcome Russia's objection to a Mohammerah-Khorehabad line, a line only as far as Dizful.

In your opinion, how far would such a line, if built (even were Lynch's road onward to Tehran constructed), be able to compete with the route via Bagdad, especially after the construction of the line from Khanikin to Tehran?

(3.)

*Lieutenant-Colonel Cox to Sir G. Barclay.**Bushire, March 17, 1911.*

(Telegraphic.) P. WITH reference to your telegram of the 13th instant. The actual junction of the line from Mohammerah with the Khanikin-Tehran line may possibly be strategically inadvisable, and it is possible, therefore, that it would be better in any case that the

[15325]

No. 39°.

Government of India to Viscount Morley.—(Communicated to Foreign Office, April 24.)

(Telegraphic.) P.

April 23, 1911.

BAGDAD Railway. Please refer to our telegram dated the 23rd ultimo. Following telegram, dated the 21st instant, received from Admiral Slade:—

“Except for some minor details, have completed survey of bar at mouth of Shat-el-Arab. Such a complete change is indicated in the conditions of navigation of river that I would suggest that, pending receipt and consideration of my letter which is being dispatched by mail of the 24th from Bushire, we should not commit ourselves in respect of Bussorah or Koweit as terminus port of railway.”

[1501]

Q°

[15139]

No. 40°.

Sir Edward Grey to Sir G. Barclay.

(No. 118.)

(Telegraphic.) P.

Foreign Office, April 25, 1911.

DIZFUL-KHOREMABAD survey.

See my telegram No. 89 of the 24th March.

Lieutenant Wilson must not survey in Russian sphere, but he has the consent of the Russian Government to visit Burujird as an ordinary traveller after the completion of his survey.

[15483]

No. 40†.

Sir Edward Grey to Sir G. Barclay.

(No. 121.)

(Telegraphic.) P.

Foreign Office, April 27, 1911.

MOHAMMERAH-KHOREMABAD line. Your telegram No. 135 of the 23rd April.

Cox thinks that Persian objection to line terminating at Russian sphere might be overcome if line were to stop at Dizful.

As you are not coming home, please let me have your views as to what step should be taken next.

Mohammerah line should terminate at Dizful. Three years would probably be sufficient to build this line, and, with continuation by good road to Sultanabad, I believe it would pay its way and would enable us for a good many years to come to maintain our hold on the markets of Khoremabad, Hamadan, and Sultanabad, and that neighbourhood, even though the Khanikin-Tehran and Tehran-Yezd lines were built.

It seems to me essential that we should build the Mohammerah-Dizful line if the Bagdad-Gulf section of the Bagdad Railway remains in German hands. In any case, if any extensive irrigation schemes are undertaken in Arabistan, it is practically certain that the need would arise before long for a railway from Mohammerah towards Dizful, and if we neglect to make use of our option, we shall not only leave undeveloped a large tract of country between latitude 34 north and the latitude of Mohammerah, but shall run the risk of having our existing interests in Arabistan prejudiced by the grant to Germany or some other Power of some railway or other concession.

[14721]

No. 41.

Sir A. Nicolson to Sir H. Babington Smith.

Dear Babington Smith,

Foreign Office, April 27, 1911.

MANY thanks for your letter of the 13th on the subject of British participation in the proposed loan for the construction of railways in Turkey, of the construction by British capital of Turkish ports in the Black Sea and of Anglo-French financial co-operation in Turkey generally by the fusion of the National Bank with the Bank of Salonica, and by a subsequent arrangement between the fused banks and the Ottoman Bank.

As regards the first point, all that I have told Sir E. Cassel has been that, so long as the Franco-Russian group (represented by M. de Lamornaix), which has the support of the Russian Government, occupied the field, we could not support any competing group desirous of constructing railways in the basin of the Black Sea. If, however, the present applicants (i.e., M. de Lamornaix and his group) were to retire we would support any British syndicate which came to an understanding with the Russian Government who, as you know, in virtue of their agreement with the Turkish Government, occupy a privileged position with regard to railway construction in the northern provinces of Asia Minor supposing that Turkey does not wish to undertake it herself. We have no desire whatever to interfere with the proceedings of the National Bank, which is free to take what course it pleases to secure participation in the proposed loan, and there will be no question of our interposing against any transaction of this kind which the Grand Vizier may decide to effect with the National Bank, but we must remain judges of whether we can give it our support should that support be requested, taking into consideration the merits of each case as it arises. This seems to me to be a perfectly clear and logical position.

As regards the second point, before we give an opinion on the project for the construction by British capital of the ports of Samsun and Trebizond, we should like to enquire the views of the Russian Government, as they are naturally interested from a strategic point of view in the question of Turkish ports in the Black Sea as we are interested in the question of ports in the Persian Gulf, and we should not like to support any project in the Black Sea region which they would consider disadvantageous to their interests. If the National Bank sees no objection we could make such enquiries, but for us to act without enquiry would invite similar independent action by Russia in the Persian Gulf.

As regards the third point, we have over and over again expressed our desire to see Anglo-French financial co-operation in Turkey an accomplished fact, and all reports to the contrary are quite unfounded. It was only quite recently, as you know, that we telegraphed again to Sir G. Lowther on the subject.

Yours sincerely,
A. NICOLSON.

[1501]

Q*

[14120]

No. 42.

Sir Edward Grey to Sir G. Louther.

(No. 115.)

Sir,

Foreign Office, April 27, 1911.

I HAVE received your Excellency's despatch No. 235 of the 10th instant, forwarding copy of a notice from the Sublime Porte, replying to the communication addressed to them by His Majesty's Embassy, on the subject of the conditions of the assent of His Majesty's Government to the proposed increase of 4 per cent. in the Turkish customs dues.

Your Excellency should inform the Sublime Porte in reply that His Majesty's Government take of their assurance, contained in the last paragraph of this notice, that the terms of their memorandum of the 1st March satisfy the requirements of His Majesty's Government under this head as explained in the notice of the 13th March and on previous occasions in London to the Ottoman Ministers of Foreign Affairs and Finance, and to the Ottoman Ambassador at this court.

I am, &c.

E. GREY.

[15138]

No. 43.

Foreign Office to Lord Grimthorpe.

My Lord,

Foreign Office, April 27, 1911.

I AM directed by Secretary Sir Edward Grey to transmit to you an extract from a despatch received from His Majesty's Ambassador at St. Petersburg, explaining his attitude towards Mr. Williams in connection with that gentleman's negotiations with the Russian Government relative to the Julfa-Tabreez Railway:—

"On Mr. Williams's arrival in St. Petersburg about a month ago, I gave him an open letter of introduction to the Minister of Finance, in which he was described as the 'Représentant d'un important syndicat anglais dont Lord Grimthorpe est président.' Not only did Mr. Williams take no exception to the terms of this letter, but he even took the trouble to thank me for the assistance which I had given him. On the 31st March he again wrote to me saying 'affairs have so developed that it is important I see the Minister for Agriculture, and I would be so much obliged if you would give me a letter to him such as you gave for the Minister of Finance.' This I accordingly did, and before leaving St. Petersburg Mr. Williams sent me a further letter of thanks.

"It is hardly necessary for me to say that I have never described Lord Grimthorpe as being a director of a 'freak company,' all the more so that I was entirely ignorant of the fact that he had ever been a director of Steele, Lockhart, and Company, or that that company had ever done anything to merit the imputation of being a 'freak.'"

I am, &c.

LOUIS MALLET.

[15829]

No. 44.

Manchester Chamber of Commerce to Sir Edward Grey.—(Received April 28.)

Sir,

Manchester, April 27, 1911.

I AM desired by the board of directors of this chamber respectfully to bring before you the terms of a resolution which has been adopted by them with reference to the Bagdad Railway scheme and British commerce in Mesopotamia and Persia:—

"That in view of the recent acquisition by the Bagdad Railway Company of the lease of the port of Alexandretta, with powers to extend their railway project from the coast of Syria to Bagdad and the Persian frontier, the board of directors urge upon the Foreign Office the necessity of effectively safeguarding the interests of British commerce in Mesopotamia at Bagdad, and between Bagdad and the Persian frontier."

[18837]

No. 44 A.

Government of India to the Earl of Crewe.—(Communicated by India Office, April 28.)

(Telegraphic.) P.

April 27, 1911.

PERSIAN GULF buoying and lighting. Please see my telegram dated the 14th instant.

Reference is invited to telegram dated the 17th ultimo from resident, Persian Gulf, forwarded with weekly letter, dated 23rd ultimo, from Secretary to Government of India, Foreign department. Recommendations of resident and naval commander-in-chief have my general support, particularly in view of activity in improving buoyage and lighting of Shat-el-Arab, which is at present being displayed by Turks. But construction, simultaneously with others, of lighthouse at Musandim seems to me preferable. I consider it better, with reference to proposal of Admiral that light-vessel should be placed at bar of Shat-el-Arab, to wait first and see whether Turks place their light-ship properly, and whether it is maintained in perfect order by them. I would invite attention to remark of committee that, as regards Sheikh Shuaib, it would be necessary to approach Persian Government. Instructions are solicited, before detailed estimates are prepared, as to actual measures which His Majesty's Government consider necessary. Expenditure involved should, it is also recommended, be borne by Indian and Imperial exchequers in equal shares. We will submit later a further report as to possibility of obtaining a Royal Indian Marine vessel suitable for conversion into lighthouse tender. See report by Mr. Hood. Enquiry is being made on this point.

[15837]

No. 44 B.

Foreign Office to India Office.

Sir,

Foreign Office, April 29, 1911.

I AM directed by Secretary Sir E. Grey to acknowledge the receipt of the letter from the India Office of the 28th instant forwarding copy of a telegram from the Viceroy on the subject of the lighting and buoyage of the Persian Gulf.

I am to enquire whether the Secretary of State for India concurs generally with the recommendations put forward in this telegram, and if so I am to suggest, subject to his concurrence, that his Excellency should be invited to furnish, as soon as possible, an estimate of the cost of carrying out these recommendations with a view to approaching the Treasury on the subject at an early date.

I am at the same time to transmit to you herewith copy of a letter which has been addressed to the Admiralty on this question.

I am, &c.

F. A. CAMPBELL.

[15837]

No. 44 c.

Foreign Office to Admiralty.

Sir,

Foreign Office, April 29, 1911.

I AM directed by Secretary Sir E. Grey to advert to the telegram from the Viceroy of India of the 27th instant, copy of which has been sent to you from the India Office, on the subject of the lighting and buoyage of the Persian Gulf.

Sir E. Grey would be glad to know whether the Lords Commissioners concur generally in the recommendations put forward by his Excellency in that telegram.

I am, &c.

F. A. CAMPBELL.

[1501]

R*

I perhaps ought to add that this resolution is sent by the directors not so much in the belief that it is necessary, in order to urge the Foreign Office to take all needful steps in the protection of British interests, but rather in the belief that a resolution at this moment may be helpful to you and that it is not discordant with your views.

I have, &c.

WALTER SPEAKMAN, *Secretary.*

[16051]

No. 45.

Sir G. Louther to Sir Edward Grey.—(Received May 1.)

(No. 274.)

Sir,

Pera, April 25, 1911.

IN my telegram No. 90 of the 13th instant I informed you of the check given to the negotiations for the fusion of the National Bank and the Banque de Salonique by the news said to have reached the Imperial Ottoman Bank that His Majesty's Government took no interest in the matter.

As I expected, your reply, conveyed in your telegram No. 102 of the 13th instant, showed that this assertion was baseless, and the incident may be ascribed to its real cause, the jealousy with which the Ottoman Bank regards any encroachments on what it considers its own financial preserves.

As a further instance of the determination of the Ottoman Bank to shut out participation in those undertakings in this country in which it can acquire an interest I may cite an article, evidently inspired by that institution, which appeared in a recent number of "La Gazette financière" under the name of the editor of that journal.

The writer, commenting on an article in the "Tanin" on the negotiations between the French and Ottoman Governments for the extension of the Turkish railway system, which suggested that perhaps French and British capital would co-operate in this enterprise—a fact which could only give satisfaction to Turkey—says that, though such co-operation may not be in principle impossible, yet England is solely preoccupied with the Bagdad Railway and the Persian Gulf, and has never suggested that her nationals should have any share in the operations which are forming the subject of negotiations between France and Turkey.

The supposition of the "Tanin" is therefore, in his opinion, gratuitous, so far as His Majesty's Government are concerned, but not so as regards the wish of certain British capitalists to interest themselves in French enterprises.

The "Tanin," he goes on to say, has very skilfully suggested the idea, and an effort will be made to let the Ottoman Government think that to reserve a share for British capital will be both advantageous to Turkey and agreeable to His Majesty's Government.

The article continues:—

"Le système des participations forcées a souvent réussi. Dans cette même question des chemins de fer projetés, le bruit n'a-t-il pas couru tout récemment d'une contre-proposition qui aurait été faite par un autre groupe français? Ici il appartenait au Gouvernement français de faire observer la discipline aux capitalistes et aux financiers français.

"Quant à la question qui nous occupe aujourd'hui, faudrait-il encore que le Gouvernement britannique, puisqu'on fait état de ses désirs, les eût manifestés. Or, nous avons vu qu'il n'en a rien été jusqu'ici, et qu'il est pu probable qu'il en soit ainsi.

"D'ailleurs, puisqu'en l'occurrence c'est avec le Gouvernement français que traite le Gouvernement ottoman, ne serait-il pas facile au Gouvernement anglais de procéder à un échange de vues avec le Gouvernement français, sans qu'il y ait lieu pour les capitalistes qui prétendent à une participation, d'essayer d'agir à Constantinople? Et cela d'autant plus, comme le dit excellemment le 'Tanin,' que c'est une question qui ne concerne en somme qu'indirectement la Turquie que de savoir si aux capitaux français viendront ou non s'adjoindre des capitaux anglais.

"Peut-être ne faut-il pas donner aux tentatives auxquelles nous faisons allusion plus d'importance qu'elles n'en sauraient avoir. Il n'en serait pas moins regrettable qu'elles puissent même avoir pour effet d'apporter quelque retard ou de causer quelque hésitation dans les négociations en cours.

[1501]

R

"La cordialité des relations qui unissent la France et l'Angleterre exige qu'en toutes choses l'entente soit parfaite entre les deux pays, et qu'il ne soit pas permis à tel ou tel établissement plus ou moins autorisé à se prétendre le représentant des capitalistes de l'un ou l'autre pays, de venir entraver les projets en cours."

The obvious intention to "choke off" any participation in the huge sphere which the Ottoman Bank has ear-marked for its financial activities requires no further comment.

I have, &c.

GERARD LOWTHER.

[16061]

No. 46.

Sir G. Lowther to Sir Edward Grey.—(Received May 1.)

(No. 284. Confidential.)
Sir,

Pera, April 26, 1911.

IN reply to your despatch No. 94 of the 6th April, I have the honour to state that the reference intended was not to "working expenses," but to "construction expenses." As regards the precise nature of the compensation alluded to in the copy of the Bagdad Railway Company's declaration, enclosed in my No. 213, Secret, of the 31st March, it is impossible to obtain accurate information. Turkish sources have apparently no definite ideas on the point until the matter is settled in conjunction with the Germans. M. Hugenin, the managing director of the Bagdad Railway, is reticent on the subject, but one of his subordinates has confidentially hinted, in the course of conversation with Mr. Weakley, that compensation might not necessarily be pecuniary (on, for example, the lines discussed by Sir E. Cassel and Herr von Gwinner, *vide* former's letter of the 20th December, 1909, to Sir C. Hardinge), but might take the nature of some other concession. He further remarked that a line from Bagdad to Mohammerah would probably offer greater advantages than a railway terminating at Koweit, which, he said, allowed of no further extension.

The inference may be that the Germans might prefer the line being built to Mohammerah, and that, as regards England, they may intend to seek to come to an arrangement with her concerning railways and enterprises in South Persia, in connection with present negotiations, somewhat on the lines discussed at Potsdam with Russia regarding North Persia. He added that from Mohammerah there were possibilities of further railway extension as compared to Koweit.

I have, &c.

GERARD LOWTHER.

[16485]

No. 47.

War Office to Foreign Office.—(Received May 2.)

SIR WILLIAM NICHOLSON presents his compliments to the Under-Secretary of State for Foreign Affairs, and begs to offer the following remarks on the accompanying papers. In doing so he must explain that he has been unable to study the question as carefully as he could wish, owing to the very short time at his disposal:—

1. It is not clear what advantage we shall gain by railway construction in Southern Persia. The Mahomedan population is small and turbulent, the country is badly governed, life and property are insecure, and though some districts are fertile most of Southern Persia is believed to consist of mountains and deserts. In this connection the following quotation from "The Statesman's Year-Book, 1910," page 1087, is of interest: "According to the latest and most trustworthy estimates, the country—extending for about 700 miles from north to south and for 900 miles from east to west—contains an area of 628,000 square miles. A vast portion of this area is an absolute desert, and the population is everywhere so scanty as not to exceed on the average fifteen inhabitants

to the "square mile." Our trade in the Gulf is of comparatively trivial aggregate value, and what there is of it is chiefly carried on by a few Parsi merchants in Bombay. Railways will be costly to make and maintain, they will be difficult to guard, and while the traffic in the first instance will certainly be small the prospect of its increase, at any rate for a long time to come, is very problematical. It may perhaps be contended that it is our duty to civilise Southern Persia on humanitarian grounds. If so, we must be prepared to undertake much unproductive expenditure, and to impose a further strain on our naval and military resources which, putting Persia aside, are barely sufficient to meet the defensive requirements of the British Empire.

2. It will always be easier and cheaper to carry on our passenger traffic and our commerce with India by sea than by land. Moreover, the climate of the Gulf and the coast of Southern Persia during the hot weather is a serious obstacle to railway communication in that region.

3. It is proposed by the military authorities in India that a long stretch of the railway should run along the seaboard from Bunder Abbas to Karachi. This is a very inhospitable coast with little water, and exposed to predatory attack from the north, as is shown by the Afghan kafilas which come down to the Gulf yearly to obtain arms and ammunition. To protect this part of the railway we should have to increase our naval force in the Gulf and to distribute a military force along the line. At some point along the coast section, *i.e.*, at or near Bunder Abbas, or at a suitable place between Bunder Abbas and Karachi, it is proposed that we should construct and garrison a fortress capable of blocking a possible invasion of India. Whether warships are likely to be of much use for guarding a railway, and whether a fortress astride a railway is the best obstacle against invasion, are questions which are open to argument. But in any case we should have to pay heavily for these precautions, and it has to be considered how the ships and troops are to be provided. We have no spare men-of-war outside home waters, and the British and native garrison of India is not in excess of local requirements. Besides this, service on the coast-line of Southern Persia and Baluchistan in the hot weather would be almost unendurable for British troops and extremely distasteful to the native army.

4. It is submitted that, from a naval and military point of view, our responsibilities for the defence of the Empire are so extensive at present that it would be folly to add to them with the object of benefiting and tranquillising Southern Persia. From a financial point of view, no country is rich enough to incur large unproductive expenditure except for its own safety or in furtherance of its own interests. In proportion as we spend British capital on the railway under reference and employ naval and military force for its protection we shall weaken ourselves in other and more important directions.

War Office, April 26, 1911.

[16605]

No. 48.

Sir G. Barclay to Sir Edward Grey.—(Received May 2.)

(No. 151.)
(Telegraphic.) P.
RAILWAYS.

Tehran, May 2, 1911.

Reference to your telegram No. 121, dated the 27th April.
I forwarded by bag, which left Tehran on the 21st April, a despatch (No. 55, dated the 18th April), reporting that in the opinion of Nasr-ul-Mulk the course which would be most likely to recommend itself to the Persian Government would be an application for a line from the Persian Gulf to the Russian frontier on behalf of an Anglo-Franco-Russian syndicate. His Highness suggests that it might be possible for His Majesty's Government and Russian Government to come to some arrangement with the syndicate, whereby British management should control the sections in the British and neutral spheres while those in the Russian zone should be under Russian control.

The Russian Government would not, I presume, view this proposal with favour: they apparently do not desire M. Poklewski to enter upon the private discussion on the subject of railways alluded to in my telegram No. 107 of the 1st April. Russian Minister was merely authorised to find out Regent's views and to report thereon. He

has received no reply to a telegram in which he reminded his Government that his Highness desired to discuss the matter.

The likelihood of Persian Government granting any railway option to His Majesty's Government appears to me so remote that if you consider Regent's suggestion to be unfeasible and still desire that the scheme should retain a purely British character, I believe that the plan of conducting negotiations through a syndicate would be best. It would seem to offer the best chance of overcoming Persian objections to the Khormusa-Khoremabad line.

In replying to the Persian Government's note we might emphasize the purely commercial character of the railway in question, and state that we are willing to encourage a British syndicate to enter upon negotiations with the Persian Government with a view to ascertaining the lines on which the railway in question could be constructed with due regard to the interests of the country.

The project of a line which should have its terminus at Dizful would not, I think, prove any more acceptable to the Persian Government. It would not be so advantageous from a commercial point of view as the Khoremabad line, and it would be difficult to induce Persian Government to believe that its restricted extent was governed by other than political reasons.

[16931]

No. 49.

Sir Edward Grey to Sir G. Louth.

(No. 123.)
Sir,

Foreign Office, May 2, 1911.

I TOLD the Turkish Ambassador to-day that I had expected, on my return to London after the Easter holiday, to find our reply to the Turkish proposals about the Bagdad Railway ready to be given to him. The Government of India had, however, some information on certain details connected with the Persian Gulf which they were sending to us, and they had asked that we should wait until this information reached us. We were, therefore, waiting.

I explained to the Ambassador that we could not accept the Turkish proposals as they stood, but I did not wish the Turkish Government to suppose that we were going to meet them with a simple negative, without suggesting some other solution. As our reply had been delayed longer than I expected, I wished him to understand that it would be forthcoming as soon as possible.

The Ambassador said that he would let his Government know what I had told him.

I am, &c.

E. GREY.

[16605]

No. 50.

Sir Edward Grey to Sir G. Barclay.

(No. 132.)

(Telegraphic.) P.

Foreign Office, May 4, 1911.

MOHAMMERAH-KHOREMABAD line.

Your telegrams Nos. 135 and 151.

You should take note of fact that Persian Government are willing to enter into negotiations with a British syndicate, and if you think their undertaking is not clear enough you should ask them for a written assurance that they will enter into negotiations with a private British syndicate when they desire to undertake the construction of the Mohammerah line or any other southern lines. You should at the same time inform them that His Majesty's Government will stand aside entirely, as they quite appreciate the reluctance of the Shah's Government to grant an option for a railway in Persia to a foreign Government.

As the Russian Government do not wish to see the railway constructed, and as other countries would also require admission if the French were admitted, I do not think that the Regent's idea of a Franco-Russo-British combination is practical.

(Confidential.)

If you agree to this course, we propose to tell the Russian Government briefly of the Persian answer and of their preference for negotiations with a British syndicate, and to inform the Imperial Bank, the Transport Company, and Mr. Greenway that the field is clear for them to negotiate, and that before construction is begun an understanding will be arrived at with them. The plan of negotiations with a British syndicate will relieve us of the invidious necessity of giving a preference to one syndicate over another, and it suits us better to stand aside altogether than to acquire an option ourselves.

[17155]

No. 51.

Sir G. Barclay to Sir Edward Grey.—(Received May 7.)

(No. 158.)

(Telegraphic.) P.

Tehran, May 7, 1911.

RAILWAYS.

With reference to your telegram No. 132 of the 4th May I have the honour to report that I agree to course proposed, and I shall try to obtain the written assurance in the sense desired from the Persian Government.

[17216]

No. 52

Sir G. Barclay to Sir Edward Grey.—(Received May 8.)

(No. 55. Very Confidential.)

Sir,

Tehran, April 18, 1911.

I WAS received yesterday by the Regent in private audience preliminary to my departure on short leave. I took the opportunity of speaking to His Highness about the application I had made on behalf of His Majesty's Government for a concession for a port at Khor Musa and for a railway from that place northwards as far as Khorremabad.

His Highness, while recognising the advantage of the line not only to British trade, but also to the prosperity of Persia, confirmed the impression which I had already derived from the Minister for Foreign Affairs that the reply to my application would not be entirely favourable. I gathered from the Regent, as I had already done from the Minister for Foreign Affairs, that, though the Persian Government fully recognised their obligations under the Shah's rescript of 1888, they would object to granting to His Majesty's Government an option for railway construction which, stopping short at the gates of the Russian zone, emphasised so clearly the division of Persia into spheres of interest. The Regent thought the line of least resistance would be the formation of an Anglo-Franco-Russian syndicate to apply for a railway from the Gulf to the Russian frontier. This would have the appearance of an international line, and would be more acceptable than a purely British line in the British and neutral spheres. His Majesty's Government and the Russian Government could arrange with the syndicate that the sections in the British and neutral zones and that in the Russian zone should be respectively under British and Russian management. I ventured to point out that to adopt this procedure might delay matters (as it was not known how far Russia was prepared to construct in the north); moreover, the granting of the desired option would not necessarily preclude the execution of the scheme proposed by His Highness for the construction of the longer railway. It was important that Persia should make a beginning in railway development without delay, and here was a favourable opportunity for coming to terms for the construction of a railway of primary importance to the country. I did not doubt that, if the Persian Government showed a favourable disposition, an arrangement would be come to which would serve as a useful model for railway concessions in other parts of Persia. In any case, I felt confident that His Highness would see how desirable it was that the Persian Government should make it clear in their reply that they adhered to the rescript

[1501]

of Nasr-ed-Din Shah, and that their note should leave the door open for a discussion of the terms on which the proposed enterprise could be executed. I begged His Highness to expedite the Persian Government's reply, and told him that the Minister for Foreign Affairs having promised to let me have it before my departure on the 21st instant, I hoped to be able to carry a copy of it with me to London.

His Highness promised to do his best to secure an early reply.

I have, &c.

G. BARCLAY.

[17221]

No. 53.

Sir G. Barclay to Sir Edward Grey.—(Received May 8.)

(No. 59.)

Sir,

Tehran, April 20, 1911.

I HAVE the honour to transmit herein copy of a note which, in obedience to the instructions contained in your telegram No. 96 of the 29th ultimo, I addressed to the Persian Government, applying on behalf of His Majesty's Government for an option for a concession for a port at Khor Musa, and for a railway northwards as far as Khoremad with a branch to Mohammerah if found desirable.

I have, &c.

G. BARCLAY.

Enclosure in No. 53.

Sir G. Barclay to Persian Government.

M. le Ministre,

Tehran, March 31, 1911.

IT will doubtless not have escaped the memory of the Persian Government that in a rescript addressed to the Minister for Foreign Affairs on the 16th September, 1888, His Imperial Majesty Nasreddin Shah gave priority to His Majesty's Government over others for the construction of a southern railroad and a positive assurance that no southern railway would be granted to any foreign company without consultation with His Majesty's Government.

His Majesty's Government feel that the essential need for railway construction in Southern Persia, not only for the development of British trade with Persia but also for the prosperity of Persia herself, must be evident to the Persian Government. In particular it would seem of the first importance to establish a port at Khor Musa and railway communication from that place northwards, and His Majesty's Government are therefore desirous of obtaining a concession for this enterprise.

I am accordingly as a first step towards the realisation of the project in question instructed by His Majesty's Principal Secretary of State for Foreign Affairs to apply on behalf of His Majesty's Government for an option from the Persian Government for a concession for a port at Khor Musa and for a railway northwards as far as Khoremad with branch to Mohammerah, if found desirable.

I feel confident that your Excellency will realise that His Majesty's Government, in making this application, are actuated as much by motives of friendship towards Persia as by concern for the interests of British trade, and that the Persian Government will give it their favourable consideration, bearing in mind that the present application is for an option only, and that the details of the concession can be discussed subsequently.

I avail, &c.

G. BARCLAY.

[17174]

No. 54.

Sir G. Lowther to Sir Edward Grey.—(Received May 8.)

(No. 290.)

Sir,

Constantinople, May 2, 1911.

WITH reference to my despatch No. 914 of the 21st December, 1910, I have the honour to forward herewith copies of two despatches from His Majesty's consul-general at Bagdad, relative to railway construction between Bagdad and Bussorah.

If Sir William Willcocks's map, enclosed in Mr. Lorimer's despatch No. 13 of the 31st March, is reproduced, I should be grateful if copies thereof could be supplied to His Majesty's embassy.

I have, &c.

GERARD LOWTHER.

Enclosure 1 in No. 54.

Consul-General Lorimer to Sir G. Lowther.

(No. 9. Very Confidential.)

Your Excellency,

Bagdad, March 20, 1911.

IN continuation of my despatch No. 63 of the 17th November, 1910, about a projected railway between Bagdad and Bussorah, I have the honour to forward a rough estimate of the earnings of such a line, prepared in the office of the Indian Railway Board, and calculated on the basis of present trade. The estimate is accompanied by an explanation from the Board's office, in reading which it will be remembered that 15 rupees are the equivalent of 1L. An extract from a demi-official letter with which the aforesaid papers were sent to me from the foreign department of the Government of India is also enclosed for your Excellency's information.

I have not yet obtained from Sir William Willcocks the estimate of prospective trade mentioned in the second paragraph of my last despatch, but the matter is being kept before him.

I have, &c.

J. G. LORIMER, I.C.S.,

Political Resident in Turkish Arabia.

Enclosure 2 in No. 54.

RETURN showing Imports into, and Exports from, Bagdad.

(A).—Imports into Bagdad.

Articles.	Weight in Cwts.					Rate per Maund.	Amount.
	In 1907.	In 1908.	In 1909.	Total.	Average per Year.		
<i>5th Class.</i>						Rs. a. ps.	Rs. a. ps.
Alcohol .. ..	..	2,473	251	2,724	908		
Cartoons .. ..	..	60	477	537	179		
Clocks and watches .. ..	..	33	6	39	13		
Gold thread	28	136	10	174	58		
Matches	3,720	3,323	5,205	12,248	4,083		
Paraffin	22,310	34,096	59,968	116,374	38,791		
Quicksilver	13	13	15	41	14		
Sundries .. ..	..	445	5,804	6,249	2,083		
Tea	21,851	17,837	18,539	58,227	19,409		
Miscellaneous	10,152	9,158	6,606	25,916	8,639		
Total	58,074	67,574	96,881	222,529	74,177		
Equivalent in maunds .. ..	..	..	..	..	100,963	1 11 7	1,74,056 0 1

Articles.	Weight in Cwts.					Rate per Maund.	Amount.
	In 1907.	In 1908.	In 1909.	Total.	Average per Year.		
<i>4th Class.</i>						Rs. a. ps.	Rs. a. ps.
Books	101	376	300	777	259		
Cotton piece goods ..	168,874	138,953	153,928	461,755	153,918		
Cotton thread	400	310	386	1,096	365		
Cutlery	100	176	84	360	120		
Drugs and medicine ..	12,518	4,772	4,335	21,625	7,208		
Fezzes .. ..	..	112	236	348	116		
Glassware	1,800	1,892	1,227	4,919	1,640		
Linen	474	502	308	1,284	428		
Liquors and spirits ..	7,506	5,468	5,754	18,728	6,243		
Sarsaparilla .. ..	..	60	45	105	35		
Tartaric acid .. ..	..	301	392	693	231		
Tobacco	12,139	9,442	4,584	26,165	8,722		
Twist	6,052	6,354	23,305	35,711	11,904		
Woollens	1,672	1,104	3,432	6,208	2,069		
Total	211,636	169,822	198,316	579,774	193,258		
Equivalent in maunds ..	..	..	..	..	263,046	1 7 1	3,79,498 10 6
<i>3rd Class.</i>							
Camphor	89	37	60	186	62		
Candles	4,706	10,919	15,129	30,754	10,251		
Cochineal	418	32	64	514	171		
Confectionery .. ..	..	178	415	593	198		
Ebony wood	2,652	262	2,046	4,960	1,653		
Enamelware	196	306	954	1,456	485		
Furniture	187	262	468	917	306		
Hardware	17,080	14,727	12,478	44,285	14,762		
Pickles	143	87	305	535	178		
Playing cards .. ..	..	44	25	69	23		
Provisions	1,349	458	597	2,404	801		
Silk	1,396	1,480	391	3,267	1,089		
Soap	3,764	2,645	6,122	12,531	4,177		
Stationery	33	210	257	500	167		
Window glass	2,362	2,193	3,539	8,094	2,698		
Wood .. ..	..	2,900	145	3,045	1,015		
Total	34,375	36,740	42,995	114,110	38,036		
Equivalent in maunds ..	..	..	..	..	51,771	1 2 7	60,129 13 9
<i>2nd Class.</i>							
Bedsteads .. ..	..	676	508	1,184	395		
Brassware	96	62	174	332	111		
Buckets .. ..	..	113	179	292	97		
Cardamoms	18	103	85	206	69		
Carpets	270	341	308	919	306		
Cloves	127	305	231	663	221		
Cocanuts	270	530	2,252	3,052	1,017		
Coffee	10,560	11,255	13,638	35,453	11,818		
Colours	3,845	3,385	3,574	10,804	3,601		
Copper	604	6,292	6,018	12,914	4,305		
Copperas .. ..	..	..	1,670	1,670	557		
Copra .. ..	..	..	118	118	39		
Cowries	44	..	70	114	38		
Dry limes	1,035	1,440	1,296	3,771	1,257		
Earthenware	742	886	40	1,668	556		
Ginger	352	1,905	1,576	3,833	1,278		
Glass beads .. ..	..	..	26	26	32		
Henna	1,869	1,394	2,624	5,887	1,962		
Indigo	2,683	2,178	2,231	7,092	2,364		
Iron pipes .. ..	..	551	6,180	6,731	2,244		
Lead	550	782	897	2,029	676		
Leather	952	1,228	708	2,888	963		
Machinery	1,280	1,448	1,688	4,416	1,472		
Machines, sewing ..	447	802	596	1,845	615		
.. printing .. ..	..	..	1,104	1,104	368		
Mastic gum .. ..	..	72	121	193	64		
Paints and oils	1,638	2,146	2,080	5,864	1,955		

Articles.	Weight in Cwts.					Rate per Maund.	Amount
	In 1907.	In 1908.	In 1909.	Total.	Average per Year.		
2nd Class—continued.						Rs. a. ps.	Rs. a. p.
Pepper	4,520	8,402	4,389	17,311	5,770		
Rope .. ..	..	395	354	749	250		
Rose buds .. ..	..	..	75	75	25		
Salammoniac	189	1,038	579	1,806	602		
Sandalwood .. ..	..	..	74	74	25		
Soda .. ..	..	39	90	129	43		
Steel	288	..	1,716	2,004	668		
Sulphur .. ..	..	60	60	120	40		
Tamarind	6,228	9,000	3,390	18,618	6,206		
Turmeric	2,616	5,349	2,907	10,872	3,624		
Cassia	3,880	2,891	3,506	10,277	3,426		
Logwood .. ..	..	5,602	..	5,602	1,867		
Shot .. ..	..	208	..	208	69		
Total	44,903	70,878	67,202	182,983	60,995		
Equivalent in maunds	..	..	..	..	83,021	0 14 1	73,075 12 5
1st Class.							
Alum	423	984	757	2,164	721		
Cement	20	80	72	172	57		
Charcoal	745	6,570	6,560	13,875	4,625		
Coal	26,160	27,800	36,340	90,300	30,100		
Flour	338	40	80	450	153		
Galvanised iron sheets ..	..	242	25	267	89		
Gunnies	19,736	29,780	7,944	57,460	19,153		
Iron rods, bars, and sheets	21,487	44,187	12,961	78,635	26,212		
Olive oil .. ..	..	..	150	150	50		
Paper	11,996	4,224	6,164	22,384	7,461		
Planks	44,050	41,134	42,319	127,503	42,501		
Rice	170	44	221	435	145		
Seeds	1,390	66	758	2,214	738		
Sugar	150,122	163,192	162,722	476,036	158,679		
Sugar-candy	1,488	1,285	2,122	4,895	1,632		
Tin plates	643	2,242	768	3,653	1,218		
Tin	1,416	1,755	1,098	4,269	1,423		
Total	280,184	323,625	281,061	884,870	294,957		
Equivalent in maunds	..	..	..	..	401,469	0 9 6	2,38,372 3 6

ABSTRACT of Imports.

Articles.	Weight in Cwts.					Equivalent in Maunds.
	In 1907.	In 1908.	In 1909.	Total.	Average per Year.	
5th class	58,074	67,574	96,881	222,529	74,177	100,965
4th class	211,636	169,822	198,316	579,774	193,258	263,046
3rd class	34,375	36,740	42,995	114,110	38,036	51,771
2nd class	44,903	70,878	67,202	182,983	60,995	83,021
1st class	280,184	323,625	281,061	884,870	294,957	401,469
Total	629,172	668,639	686,455	1,984,266	661,422	900,270
Silver .. ..	..	39	31	70	23	
Grand total	629,172	668,678	686,486	1,984,336	661,445	
Figures shown in the statement	629,772	669,278	686,866			
Shown in excess	600	600	380			

(B.)—Export from Bagdad.

Articles.	Weight in Cwts.					Rate per Maund.	Amount.
	In 1907.	In 1908.	In 1909.	Total.	Average per Year.		
<i>5th Class.</i>						Rs. a. ps.	Rs. a. ps.
Abbas	39	21	75	135	45		
Edra	1,654	7,774	54	9,482	3,161		
Feathers	81	129	201	411	137		
Galls	17,564	14,384	13,664	45,612	15,204		
Intestines	670	506	838	2,014	671		
Magnat .. ..	..	133	1,324	1,457	486		
Mahlab	131	..	..	131	44		
Pure	333	6,270	8,143	14,746	4,915		
Rosewater .. ..	..	3	..	3	1		
Salab	51	204	247	502	167		
Silk	31	16	..	47	16		
Sundries	1,176	318	147	1,641	547		
Wool	100,047	64,347	55,116	219,510	73,170		
Total	121,777	94,105	79,809	295,691	98,564		
Equivalent in maunds	..	..	..	..	134,157	1 11 7	2,31,281 1 3
<i>4th Class.</i>							
Antimony .. ..	..	..	10	10	3		
Arsenic	181	235	193	611	204		
Mohair	4,129	2,608	2,607	9,344	3,115		
Opium	1,356	1,792	1,194	4,342	1,447		
Piece goods .. ..	..	115	170	285	95		
Total	5,666	4,750	4,176	14,592	4,864		
Equivalent in maunds	..	..	..	..	6,620	1 7 1	9,550 11 8
<i>3rd Class.</i>							
Skins and hides	17,602	17,072	10,915	45,589	15,196		
Walnut wood .. ..	..	86	..	86	29		
Yolk of Eggs	36	105	..	141	47		
Total	17,638	17,263	10,915	45,816	15,272		
Equivalent in maunds	..	..	..	..	20,787	1 2 7	24,143 3 9
<i>2nd Class.</i>							
Albumen	9	25	..	34	11		
Almonds	2,684	1,938	1,532	6,154	2,051		
Apricot kernels .. ..	..	170	114	284	95		
Beads .. ..	..	..	110	110	37		
Bitumen .. ..	..	500	..	500	167		
Blood, dried .. ..	..	122	175	297	99		
Carpets	2,064	2,394	2,337	6,795	2,265		
Colocynth	386	1,362	580	2,328	776		
Combs	120	34	54	208	69		
Cumin seeds .. ..	..	1,117	21	1,138	379		
Dates	105,248	21,288	15,382	141,918	47,306		
" .. ..	..	20,947	41,669	62,616	20,872		
" .. ..	..	6,990	9,442	16,432	5,477		
Dried fruits .. ..	..	7	..	7	2		
Drugs and medicines	470	488	1,464	2,422	807		
Galbanum .. ..	..	70	42	112	37		
Gawazaban .. ..	..	77	159	236	79		
Ghee	18	320	1	339	113		
Gum	10,035	789	527	11,351	3,784		
" tragacanth .. ..	..	6,996	9,908	16,904	5,635		
Hazel nuts .. ..	..	..	113	113	38		
Liquorice	1,929	4,575	2,310	8,814	2,938		
Raisins	115	22	160	297	99		
Spirits .. ..	..	..	7	7	2		
Tobacco .. ..	..	117	145	262	87		
Wool picking .. ..	..	963	918	1,881	627		
Total	123,078	71,311	87,170	281,559	93,852		
Equivalent in maunds	..	..	..	..	127,743	0 14 1	1,12,440 7 3

Articles.	Weight in Cwts.					Rate per Maund.	Amount.
	In 1907.	In 1908.	In 1909.	Total.	Average per Year.		
<i>1st Class.</i>						Rs. a. ps.	Rs. a. ps.
Aniseed .. ..	..	81	195	276	92		
Beans	3,386	1,380	2,134	6,900	2,300		
Bones	88	504	772	1,364	455		
Castor seeds .. ..	..	169	..	169	56		
Copper (old)	268	118	..	386	129		
Fennel seed .. ..	..	467	42	509	170		
Hoortman seed .. ..	..	2,557	..	2,557	852		
Lentils .. ..	..	851	601	1,452	484		
Mash	2,692	1,414	33,082	37,188	12,396		
Millet seed .. ..	..	3,583	651	4,234	1,411		
Peas .. ..	..	300	..	300	100		
Quince seed .. ..	..	114	103	217	72		
Rice .. ..	..	..	106	106	35		
Sesame	2,000	16,808	8,548	27,356	9,119		
Seeds, various	883	19	426	1,328	443		
Wheat	239,556	298,903	362,686	901,145	300,382		
Total	248,873	327,268	409,346	985,487	328,496		
Equivalent in maunds	..	..	..	..	447,119	0 9 6	2,65,476 14 0

ABSTRACT of Exports.

Articles.	Weight in Cwts.					Equivalent in Maunds.
	In 1907.	In 1908.	In 1909.	Total.	Average per Year.	
5th class	121,777	94,105	79,809	295,691	98,564	134,157
4th class	5,666	4,750	4,176	14,592	4,864	6,620
3rd class	17,638	17,263	10,915	45,816	15,272	20,787
2nd class	123,078	71,311	87,170	281,559	93,852	127,743
1st class	248,873	327,268	409,346	985,487	328,496	447,119
Total	517,032	514,697	591,416	1,623,145	541,048	736,426

Enclosure 3 in No. 54.

Statement by Indian Railway Board.

ON the figures given by Mr. Gaskin, we get, averaging over 1907, 1908, and 1909 :—

	Rs.
*1,202,470 cwt. = 1,636,696 maunds = 15,68,025 gross earning per year.	
27,000 passengers = 1,11,058	
Total	16,79,083

If we take the Indian average goods rate per ton per mile over the last ten years=5.5 pies, we get for goods :—

$$325 \text{ miles} \times \frac{5.5 \text{ rupees}}{12 \times 16} \times \frac{1,636,696 \text{ tons}}{27} = 5,64,346 \text{ rupees earning per year.}$$

By using the North-Western Railway average rate (4.72 pies) this figure would be further reduced to 4,79,694 rupees. Taking the highest figure, above, and assuming

* Local traffic of 20,000 tons has been omitted from calculations, no details having been given.

the line worked at 50 per cent. (a very sanguine estimate) of the gross earnings, they would earn (net) 8,39,541 rupees, which, at 4 per cent., would require a capital of 209,88,525 rupees. This, for 325 miles, would be only 64,000 rupees per mile, probably quite insufficient for constructing a railway in that country.

Enclosure 4 in No. 54.

Extract from a demi-official Letter received by His Britannic Majesty's Consul-General at Bagdad, from the Foreign Department of the Government of India, dated the 7th February, 1911.

IN compliance with your request for certain information, I forward, under separate cover, the publications and papers cited in the accompanying list. With reference to your desire to form an estimate of the volume of goods and passenger traffic on the line proposed by Sir William, the Railway Board, in the estimate prepared by them, have taken out the earnings which would be obtained on the North-Western Railway if the goods specified in Mr. Gaskin's memorandum were carried at the maximum rate of the class to which they belong in India, for a distance of 325 miles, together with an additional charge of 6 pies per maund for terminals. They wish it to be clearly understood, however, that they have not attempted to do more than give the figures which you ask for, and that the result can be in no way looked upon as affording even an approximate estimate of probable traffic earnings on the projected railway.

The data given are at present quite insufficient as to alignment, population, amount of water competition, cost of labour, and in every other respect to enable an estimate to be formed by the Railway Board, who say that in practice, in India, goods are not generally carried at the maximum of their class, but that on the average they would only pay about one-third of the estimated earnings now calculated. It does not, however, follow that a similar reduction would be found necessary in the neighbourhood of Bagdad and Bussorah, and the Railway Board consider this a contingency which should not be lost sight of. Neighbouring boat traffic has also generally the effect of seriously lowering rates on a competing railway system, especially for commodities in which speed of delivery is not a predominant factor.

E. H. S. C.

Enclosure 5 in No. 54.

Consul-General Lorimer to Sir G. Lowther.

(No. 13. Very Confidential.)

Your Excellency,

Bagdad, March 31, 1911.

WITH reference to my despatch No. 9 of the 30th March, 1911, forwarding a rough estimate by the Indian Railway Board (upon certain data supplied to them) of the possible earnings of a Bagdad-Bussorah railway, I have the honour now to enclose copies of some papers with which Sir William Willcocks has favoured me, relating to railway construction in Mesopotamia.

The first paper (Enclosure A) is the draft of an Appendix which will accompany a general report that Sir William is about to submit to the Turkish Government on the subject of irrigation works in Mesopotamia. It shows, by means of cogent instances drawn from India, how desirable it is that irrigation development and railway construction should go hand in hand in this country; and it concludes with the best forecast that Sir William has been able to form—necessarily a very rough one—of the amount of traffic in agricultural produce with which a Bagdad-Bussorah railway might be expected, ultimately, to have to deal.

The second paper (Enclosure B) is a map illustrating the possible interdependence and mutual subservience of railways and irrigation work in Mesopotamia, supposing the latter to be executed in accordance with projects which Sir William is now recommending to the Porte for adoption. I would respectfully suggest that, if the map is reproduced, copies of it should be sent to the Government of India, to whom a copy of my present despatch is being sent, as well as to this residency.

The third paper (Enclosure C) is meant to elucidate the second by indicating "to what extent the cost of railway construction is unavoidably enhanced if the irrigation and railway requirements are kept separate."

ENCLOSURE B. IRRIGATION & RAILWAY MAP.



- A. B. ALONG TIGRIS.
- B. C. ON OLD NAHR MELCHA.
- C. D. ALONG RIGHT BANK OF HAI BRANCH.
- D. E. ACROSS EUPHRATES VALLEY.
- C. F. CROSSING MANY OVERFLOWS OF TIGRIS.
- F. G. ALONG TIGRIS.

- A. B. PROPOSED RIGHT TIGRIS CANAL.
- B. C. " MELCHA CANAL.

RAILWAYS.

APPROXIMATE DISTANCE BAGDAD TO BASRA.

BAGDAD RAILWAY-560 KILOS-350 MILES.

BAGDAD VIA KOOT & NASRIA-560 " -350 "

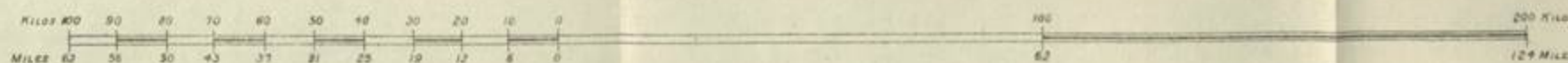
BAGDAD VIA KOOT, AMARA & GURNA-520 " -325 "

BAGDAD TO BASRA BY RIVER-785 KILOS-490 MILES.

WHETHER RAILWAY CAN BE MADE FROM SHATRA ON THE HAI
VIA THE BAIDA TO GURNA I CANNOT TELL.

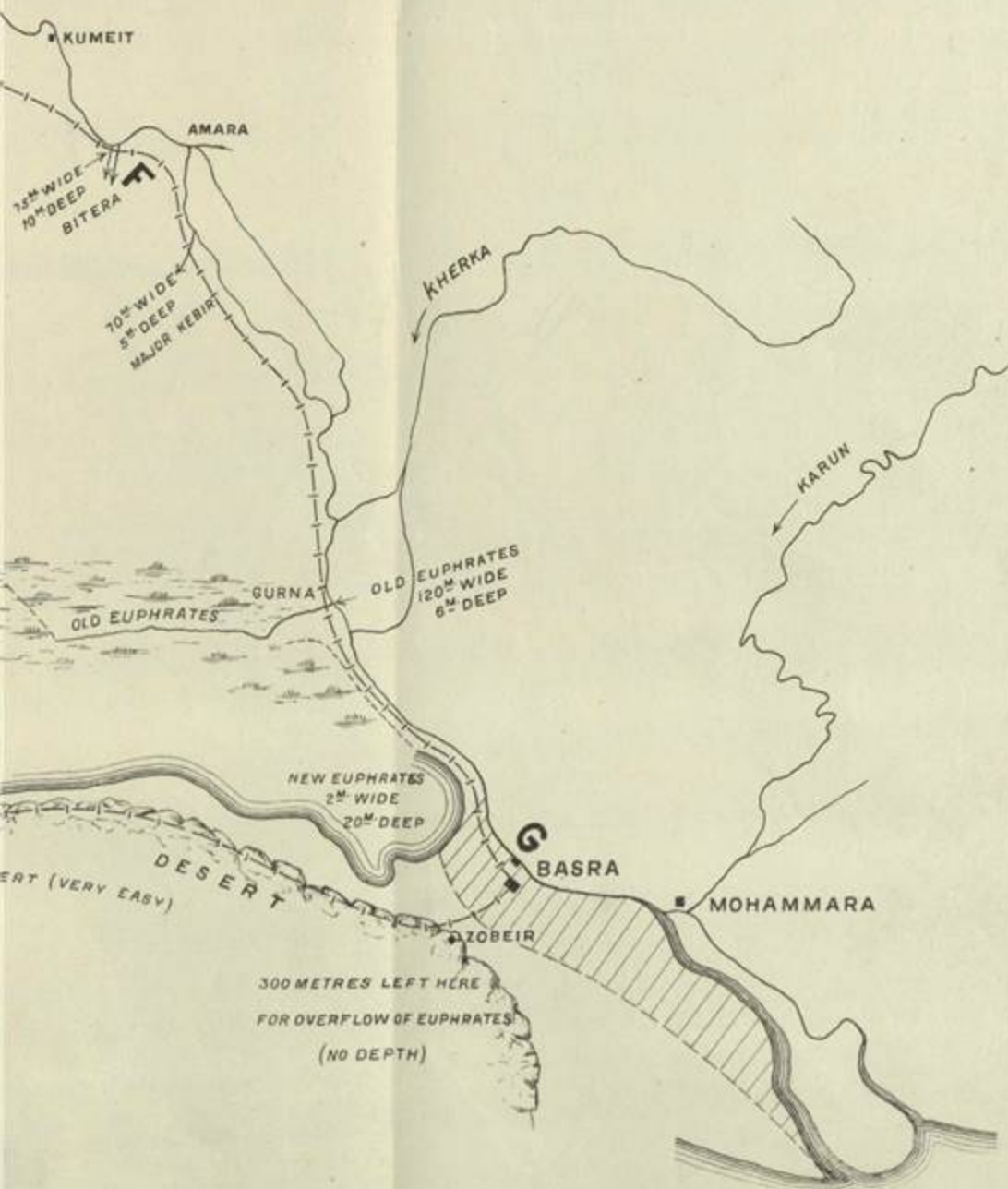
The first 1,000,000 Hectares
or 2,500,000 acres to be
taken in hand.

Scale $\frac{1}{1,000,000}$



B.
WAY MAP.

LAIFILA



I have understood from Sir William Willcocks and some of his engineers, in conversation, that a great (possibly the greater) part of the country through which a Bagdad-Bussorah railway would pass lies below the flood level of the Tigris and Euphrates; that the line must therefore run, to a great extent, along embankments; and that the most economical and only proper way of arranging this would be to make the banks of the main canals carry the railway line. It therefore seems that a suitable scheme for the general development of the country can only be arrived at as the result of consultation and collaboration between the bodies charged with canal and railway construction respectively. A railway of some sort connecting Bagdad and Bussorah could no doubt be constructed without reference to the canals; but such a railway would either be absurdly aligned,* leaving the populous and cultivated parts of the country on one side of it, or it would be unnecessarily expensive from its having to contend, unassisted, with such difficulties arising from low levels, floods, and irrigation requirements as it might encounter.

If, by any means, the experience of the Government of India's engineers in dealing with kindred problems could be drawn upon, the result would obviously be much to the advantage of the Turkish Government. The case seems to be one in which independent action by the canal and railway department might lead to inextricable engineering confusion and great financial waste.

I have, &c.

J. G. LORIMER, I.C.S.,
Political Resident in Turkish Arabia.

Enclosure (A).

APPENDIX R.

"IT became evident, early in the history of the Chenab Canal, that a railway for transport of produce was very urgently required. The requisition for this railway came from the railway department unexpectedly; it had not been contemplated in the programme of the time being, and some delay occurred before funds could be made available. It is scarcely too much to say that the success of the colonisation scheme was seriously threatened by the difficulty the settlers experienced in conveying their enormous produce to the market. This need has now been so fully recognised that in the case of the newly opened Jhelum Canal, a similar railway down the centre of the Jech Doab is being constructed, and a considerable portion of it will probably be open for traffic by the time an urgent need for it arrives."

This is a quotation from the completion report of the Chenab Canal in Northern India, a canal traversing lands similar to those of Mesopotamia in their climate and in the condition in which they found themselves before the canal works were carried out. Here is a description of the country from the original report: "The country was one of extreme desolation; the rainfall was only 5 inches per annum, and one might travel for miles without seeing a living thing. . . . The distinctive feature of the landscape was the camel thorn. The only inhabitants of the country were the indigenous tribes known as the Janglis and their herds. The Janglis were a people of pastoral and nomadic habits, eking out a precarious existence by means of their camels and cattle." In such a land, so like great part of Mesopotamia, canals have introduced in a few years nearly a million of inhabitants, and the resurrection of the country has been so rapid that its very success has been jeopardised by a railway not being able to be made quickly enough to transport the enormous produce.

A life-long experience in India and Egypt has firmly impressed on me the maxim that in the arid regions of the earth water should be monopolised for irrigation and railways for transport. You cannot leave the waters of the rivers in their channels for purposes of navigation and at the same time take them out of their channels and irrigate the country with them. For navigation you may substitute railway transport; for purposes of irrigation nothing can take the place of water.

* A railway would be absurdly aligned which, as in the German scheme, should run through the desert from Karbala to Najaf, and from Najaf to Bussorah. It seems to me that the value of a Mesopotamian railway is and must be local, and that such a railway can never become a section of an important world route. The German scheme, in my humble estimation, was based on a different and fundamentally wrong notion.—J. G. L.

In countries depending entirely on irrigation, the railways should follow the banks of the main canals and traverse the centre of the tracts they mean to serve. Now the Bagdad Railway is a desert railway, and though it will put Bagdad in communication with east and west, it will not serve the irrigated parts of the delta of the two rivers. I therefore show on drawing No. 52 the different alignments of the railways which would serve the country we hope to irrigate. On the map itself are given the main features of the different lines and the task of selecting the best line, and estimating its cost may be left to railway engineers. I confine myself to a statement of the probable quantity of produce such a railway would have to transport. The area to be irrigated between Bagdad and Nasiriyah will be 750,000 hectares, and if from this area we export so much as represents the rents calculated in paragraph 22 of this report we shall have to handle annually 375,000 tons of cereals and 1,250,000 cwt. of cotton. As the country is famous for its breed of animals, there will be a considerable movement of live stock, but I have no idea of what this number will be.

W. WILLCOCKS.

Enclosure (C).

Notes to accompany Irrigation and Railway Map.

HEIGHT to which bank should be taken—

Along Tigris, 4.0 metres high.
 Along Nahr Melcha, 2.0 metres high.
 Along Hai, 2.5 metres high.
 Price, 1½ piastre per cubic metre to 2.0 piastres.

Along Tigris and Hai following irrigation pipes to be allowed for (none need be allowed for on the Nahr Melcha):

Per 20 kilom.—

20 of 1.5 feet diameter.
 20 „ 3.0 „
 3 „ 4.0 „
 2 „ 5.0 „

I calculate price of these in position—

1.5 feet diameter, £ T. 1.8 per metre run.
 3.0 „ 4.2 „
 4.0 „ 5.5 „
 5.0 „ 7.5 „

Everywhere where the line from Bagdad via the Hai goes there are projected canals or dykes, on whose banks the railway could go. The railway, if made with the canals, would find the earthwork and the irrigation crossings all provided, and would be a cheap line.

I have never been along the line C F.

W. WILLCOCKS.

March 30, 1911.

[17176]

No. 55.

Sir G. Lowther to Sir Edward Grey.—(Received May 8.)

(No. 292.)

Sir,

Constantinople, May 2, 1911.

I HAVE the honour to forward herewith a despatch from His Majesty's consul-general at Bagdad, submitting copy of a report by Sir W. Willcocks on the port of Bussorah, in connection with his general report on irrigation projects in Mesopotamia.

I have, &c.

GERARD LOWTHER.

Enclosure 1 in No. 55.

Consul-General Lorimer to Sir G. Lowther.

(No. 15. Very Confidential.)

Your Excellency,

Bagdad, March 31, 1911.

I HAVE the honour to forward for information a copy of a suggestive note on "the port of Bussorah," which Sir William Willcocks has lately written, and which will form an appendix to a general report on irrigation projects in Mesopotamia that he is about to lay before the Turkish Government.

I have, &c.

J. G. LORIMER,
Political Resident in Turkish Arabia.

Enclosure 2 in No. 55.

Note on the Port of Bussorah.

STEAMERS drawing over 5.5 metres of water cannot enter the Shatt-el-Arab and ascend to Bussorah owing to the Bussorah bar. Now, if a channel were dredged across the bar on the alignment taken by the steamers, which is nature's natural outlet for the waters of the rivers, it should not be a costly matter to keep it clear. I base this statement on the fact, noted in paragraphs 16 and 18 of the report, that the only deposit in the water is that brought down by the Karun river, for $\frac{2}{3}$ ths of the sediment carried by the Tigris, Euphrates, and Karkha is left behind in the marshes. No special study has been made of the subject of dredging across the bar, but from conversations with captains of the British India Company and examinations of the charts and information in their possession, I estimate that the quantity of soft mud to be removed in order to obtain a channel 130 metres wide and 10 metres deep would be 15,000,000 cubic metres on a length of 32 kilom. In order to obtain a channel 130 metres wide and 8 metres deep, we should have to dredge 7,000,000 cubic metres of soft mud on a length of 24 kilom. These quantities seem very small for so important a work, and would justify the Government in undertaking a serious examination of the question.

I cannot leave the question of the port of Bussorah without mentioning the fact that a channel 32 kilom. long and 1.5 metres deep along the ancient course of the joint waters of the Euphrates and Tigris would put the Euphrates in communication with the western head of the Khor Abdullah, and if a port were needed on this Khor, sweet water would be available far in excess of anything Port Saïd possesses. Similarly, by digging a channel 10 kilom. long through the desert south of the Khor Abdullah-Bubian bifurcation, Euphrates water could be sent down the Bubian channel where it travelled thousands of years ago.

W. WILLCOCKS.

[15829]

No. 56.

Foreign Office to Manchester Chamber of Commerce.

Sir,

Foreign Office, May 8, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 27th ultimo, bringing to his notice the terms of a resolution adopted by the Manchester Chamber of Commerce urging that, in view of the recent acquisition by the Bagdad Railway Company of the lease of the port of Alexandretta and of the right to build a branch from there to a point on the main line, steps should be taken for the effective protection of British interests in those regions.

I am to state, in reply, that this question does not fail to receive consideration, and to express Sir E. Grey's appreciation of the terms of the letter conveying the resolution.

I am, &c.

A. NICOLSON.

[17592]

No. 57.

India Office to Foreign Office.—(Received May 9.)

Sir,

India Office, May 9, 1911.

I AM directed by the Secretary of State for India to acknowledge the receipt of your letter of the 4th instant upon the subject of the status of Bahrein, and the effect which a formal definition of it at the present juncture might have on the impending negotiations with Turkey and on British relations with Persia.

As regards Turkey, Viscount Morley feels some diffidence in expressing an opinion, since this Office has not cognisance of all the facts. But the impression which he has formed is that His Majesty's Government have to reckon—and whatever they may do will continue to have to reckon—with the persistent hostility of the Young Turk party, whether under a constitutional régime or a military dictatorship. He further believes that the only prospect of a satisfactory solution of the Bagdad Railway problem lies in a preliminary agreement with Germany, and that, if that is secured, while it will no doubt be necessary to pay all outward respect to Turkish susceptibilities, they can in practice be treated as negligible. It is, therefore, rather the manner in which the declaration of a protectorate over Bahrein might react upon our relations with Germany than its direct effect on the Turkish Government that his Lordship would consider.

From this point of view, it is no doubt desirable to avoid raising any controversial question unnecessarily, and Lord Morley agrees that if the Porte admit our claim to compensation, and issue the desired instructions to the Vali of Bussorah, they will in fact have recognised our protectorate, the formal declaration of which might in that case be made part of the general settlement in the Gulf to be proposed later. But if the Porte reject our claim, as, in his Lordship's opinion, they probably will, it will be necessary to take immediate action in support of it; and he would suggest that His Majesty's Government should thereupon declare the protectorate, and seize and detain Turkish vessels in the river and Gulf until compensation is paid.

I am further to suggest that the Turkish Government should not be permitted to delay their reply unreasonably. It was as long ago as the 19th April that Sir E. Grey instructed Sir G. Lowther to address them.

As regards the Persian Government, Lord Morley would suggest that they might be disregarded if the contingency referred to above should arise. The declaration of a protectorate will doubtless be unwelcome to them, but they have not themselves shown any particular desire to conciliate His Majesty's Government, and as His Majesty's Government have decided to stand out of the Khorremabad Railway concession, the most important question now open with Persia will probably not be prejudiced.

I am, &c.

ED. MONTAGU.

[17155]

No. 58.

Sir Edward Grey to Sir G. Buchanan.

(No. 159.)

(Telegraphic.) P.

Foreign Office, May 9, 1911.

MOHAMMERAH-KHOREMABAD line.

My telegram No. 132 to Sir G. Barclay and his telegram No. 158.

Substance of Persian Government's reply to application of His Majesty's Government for option to construct line from Khor Musa to Khorremabad, as reported in Sir G. Barclay's telegram No. 135, should be communicated to Russian Government, but you should confine yourself to the first paragraph only of my telegram No. 132 to Sir G. Barclay in giving the substance of my answer to them.

[13321]

No. 59.

Foreign Office to India Office.

Sir,

Foreign Office, May 9, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 8th ultimo, relative to the territorial limits of Koweit and to the nature

and extent of the obligations assumed by His Majesty's Government in the event of aggression on the dominions of the sheikh.

I am to inform you in reply that Sir E. Grey concurs in the view of the Government of India, shared by Viscount Morley, that those obligations extend to the whole territory of the sheikh, as described in the passage of Lorimer's "Gazetteer of the Persian Gulf" to which your letter refers.

I am, &c.

F. A. CAMPBELL.

[17728]

No. 60.

Memorandum of Interview.—(Received at Foreign Office, May 10.)

(Confidential.)

I CALLED on M. Revoil at his hotel on the 4th May, but did not find him. M. Revoil returned my visit on the morning of the 5th.

I mentioned that I had seen Sir Arthur Nicolson, who had told me of M. Revoil's visit to him. I had gathered that M. Revoil was under certain misapprehensions, which, perhaps, it was desirable to remove. He had mentioned to Sir Arthur Nicolson that the idea had been revived of a sale of shares of the National Bank to the Ottoman Bank. There was not now any such intention, and there was no possibility of the National Bank or its shareholders now agreeing to any such proposal.

M. Revoil then developed his idea at some length.

He suggested that the Ottoman Bank should buy at a premium sufficient shares of the National Bank to give them control; that fusion should then be effected between the National Bank and the Bank of Salonica; and that the National Bank should be maintained as a separate organ for Turkish business in England and English business in Turkey, with liberal arrangements as regards participation in loans, &c. The Ottoman Bank would be in a position of control, and would of course have representation on the board, but it would be their genuine and honest intention to use this organ for developing the interests of British capital in Turkey. The Ottoman Bank considered that, having regard to their established position and their past history, they were better fitted than anyone else to bring about satisfactory results in this respect. The maintenance of the name and separate existence of the National Bank would preserve appearances, and prevent any injury to the feelings of those who had founded the National Bank as a separate institution.

I replied that this scheme would mean the extinction of the National Bank as an independent organism. The façade would indeed be maintained, but the capital would be almost entirely French, and, having regard to the preponderatingly French character of the Ottoman Bank, it would be impossible to regard the National Bank in its new form as an independent representative of British interests.

M. Revoil then enlarged on the Anglo-French character of the Ottoman Bank. He pointed out that the situation was delicate, having regard to the existence and equal powers of the English committee. It was impossible for them to admit that they were incapable of dealing with all English business if the conditions of the market were suitable. In his view, a wrong course had been taken in establishing the National Bank independently of the Ottoman Bank, and it was necessary to find some means of retrieving this false step, and establishing not merely a cartel, but some more permanent tie between the two. If the Ottoman Bank were to contribute important resources in the way of participation in loans, it was not unreasonable that they should claim to have control. Arrangements of any kind would be very difficult so long as there was complete distrust of the English side of the Ottoman Bank.

I said it was a question of recognising existing facts. The capital of the Ottoman Bank was mainly French, and in Turkey it undoubtedly acted as a purely French institution. Whether rightly or wrongly it had been regarded as essential, both by the Government and by the founders of the National Bank, to have an independent institution to represent British interests. I endeavoured to make it perfectly clear that there was no prospect whatever of any scheme being accepted which would terminate the independent existence of the National Bank, in reality if not in form.

M. Revoil was very reluctant to abandon an idea which, he said, was very much his own.

He then explained his objections to a cartel. In the first place, it would imply recognising that the London committee of the Ottoman Bank was not capable of

[1501]

X

dealing with the English business, and, secondly, he did not see what the National Bank had to bring which would be the equivalent of what the Ottoman Bank would be expected to contribute.

As regards the first point, I pointed out that the Ottoman Bank in Paris made cartels with other French banks operating in Turkey, such as the Bank of Salonica, without regarding it as a reflection on their capacity for dealing with French business in Turkey. The Ottoman Bank could not pretend to a monopoly, and I saw nothing derogatory to the Ottoman Bank in London in making a similar arrangement with an Anglo-French bank. In considering the material side of any cartel, it was necessary to remember that the Bank of Salonica already had an arrangement of the kind. The National Bank would resign its liberty of action regarding State business. They could not be expected to do this without an equivalent.

We then discussed the political side of the matter at some length. M. Revoil expressed strongly the view—with which I fully concurred—that the interests of the two countries in Turkey had already suffered, and would suffer in the future, from want of co-operation in the financial sphere.

He also suggested that it was very desirable that I should discuss the question with the London committee of the Ottoman Bank.

I replied that as it was a matter concerning the Ottoman Bank as a whole, we thought it much more convenient to discuss it with M. Revoil, who, as Director-General, represented the whole bank, and not either section of it. It would, moreover, place us in a somewhat false position if we were now to approach the London committee with what would appear to be fresh proposals on our part.

M. Revoil strongly urged that this was a matter in which the London committee were largely interested, and that discussion with them would be advantageous.

H. BABINGTON SMITH.

May 6, 1911.

[15143]

No. 61.

Sir Edward Grey to Sir G. Buchanan.

(No. 129. Secret.)

Sir,

Foreign Office, May 10, 1911.

I HAVE received your Excellency's despatch No. 112, Confidential, of the 18th ultimo, relative to the proposed Trans-Persian Railway, and you may inform the Russian Government that His Majesty's Government, after careful consideration of the projects in consultation with the Government of India, are ready to assent to it in principle, and to agree to the initiation of negotiations between its promoters in this country and in Russia subject to the following conditions:—

1. The line shall enter the British sphere at Bunder Abbas instead of at Kerman, subject to reconsideration as the result of actual survey, and shall in any case join the Indian railway system at Karachee and not at Nushki.

2. There shall be a break of gauge at Bunder Abbas, or wherever the line enters the British sphere of influence in Persia.

3. In return for the co-operation of Great Britain in the project, which examination has shown to be likely to benefit Russia far more than Great Britain or India, Russia shall pledge herself not to entertain or support, without coming to an understanding with Great Britain, any proposal for a line in the neighbourhood of the Perso-Afghan frontier within the Russian or neutral sphere in Persia.

4. Russia shall support demands made by Great Britain of the Persian Government for concessions of the following branch lines connected with the proposed Trans-Persian Railway:—

(a.) From Mohammerah to Khomeinabad with a branch to port to be constructed at Khor Musa.

(b.) From Bunder Abbas or Charbar via Regan and Bam to Kerman.

(c.) From Bushire, via Aliabad, to some point on a line—

(d.) From Bunder Abbas, via Shiraz, to Ahwaz.

5. The main line and those of the above branches which lie in the neutral sphere—i.e., (a), (c), and (d)—shall be internationalised; but the branch which lies entirely in the British sphere—i.e., (b)—shall be a purely British project.

6. Absolute equality of treatment in all respects shall be guaranteed to British and British Indian trade passing over the line and its branches.

Your Excellency is at liberty frankly to explain to the Russian Government that the first three of the above conditions are dictated by strategic considerations, and are inserted in the interest of India.

The enclosed copy of a letter from the India Office, taken in conjunction with that from the Board of Trade of the 13th September, 1910, which your Excellency has already had an opportunity of perusing, will enable you to appreciate the reasons which have led His Majesty's Government to the conclusion set forth above.

You could inform the Russian promoters of the general sense of the views of His Majesty's Government, while making it clear both to the Russian Government and to the Russian promoters that His Majesty's Government express no opinion as to the commercial or financial aspects of the question, which are matters to be examined by the syndicates who may desire to participate in the enterprise.

I am, &c.

E. GREY.

[17870]

No. 62.

Persian Transport Company to Foreign Office.—(Received May 11.)

(Confidential.)

3, Salter's Hall Court, Cannon Street, London,

May 10, 1911.

Sir,

I HAVE the honour to refer to your letter of the 31st March last, informing us that His Majesty's Government would not lose sight of the assurances previously conveyed to our company in connection with railway construction in Persia, but would deprecate an application to the Persian Government for a railway concession at the present time, whether by our company or by anyone else. Since the date of your despatch, we understand that His Majesty's Government have applied to the Persian Government for an option for a railway to be constructed by British capital from the Persian Gulf to Khomeinabad. We therefore take this opportunity to remind you of our readiness to enter upon negotiations with the Persian Government, should His Majesty's Government now consider that the proper occasion has arrived, and we should feel obliged if you would let us know whether action in this sense would be approved by His Majesty's Government. We may add that we have received a telegram from our agents in Tehran, dated the 9th instant, of which I enclose a copy. We understand that the Eastern International Syndicate is the syndicate which was represented by Mr. Wolff in Tehran.

I have, &c.

H. W. MACLEAN.

Enclosure in No. 62.

Copy of Telegram from Messrs. Lynch Brothers, Tehran, dated the 9th May, 1911.

EASTERN International Syndicate will offer to-day construct railway Mohammerah to Khomeinabad. Loan for the purpose of can be secured on railway. Syndicate stipulate the Persian Government must give no consideration to other offers.

[17914]

No. 63.

Sir G. Buchanan to Sir Edward Grey.—(Received May 11.)

(No. 104. Secret.)

(Telegraphic.) P.

RUSSO-GERMAN negotiations.

St. Petersburg, May 11, 1911.

(Secret.)

I was told by the Acting Minister for Foreign Affairs in the strictest confidence yesterday that the observations of the German Government on the revised draft of the

Russo-German agreement had now been communicated to him by the German Ambassador. I had the honour to give the substance of this draft in my despatch No. 44, Secret, of the 21st February.

M. Nératof said that some of these observations were acceptable, but that others were not. The chief objection of the German Government is to the substitution for the term "Bagdad Railway" in article 2 of the term "Konieh-Bagdad Railway." M. Nératof is evidently afraid that the negotiations will break down if the Russian Government insist on their wording. His Excellency has not yet discussed the question with M. Stolypin, and he gave me to understand that he would consult you, through the Russian Ambassador in London, before taking a definite decision.

I have a safe opportunity this evening and am writing more fully, but as his Excellency impressed on me the necessity of absolute secrecy, I think that it would be better for you to say nothing until the Russian Ambassador broaches the subject.

[17975]

No. 64.

Government of India to Viscount Morley.—(Communicated to Foreign Office, May 12.)

(Telegraphic.) P.

May 6, 1911.

RESIDENT, Persian Gulf, telegraphed the 30th ultimo to following effect:—

"Application from Brown, representing Wöneckhaus and Co., to the address of the Sheikh of Koweit, expressing intention of sending business agent to Koweit, was recently forwarded officially to the sheikh by the newly-appointed German consul, who asked permission of sheikh for agent to be sent. As he did not like to keep messenger waiting, sheikh sent consul a reply saying that Wöneckhaus and Co. could interview him on the subject at Mohammerah, where he would shortly be paying a visit. I pointed out to the sheikh, when he asked my advice, on my arrival two days later at Koweit, as to the line to be taken by him with the firm, that inconvenient assumption that Koweit was included in sphere of Bussorah was involved by inception of official correspondence between German consul at latter place and the Sheikh of Koweit. In these circumstances, in case matter was revived before views of Government had been received, I advised the sheikh to say that he did not see his way to enter into official correspondence, for the exchange of which he should politely remind German consul no arrangement existed, and that Wöneckhaus should address to him direct any application he had to make.

"Please say if you consider this a suitable reply to German consul.

"Sheikh suggested that, as regards Wöneckhaus, he should reply that time was not yet ripe, in his opinion, for the opening in Koweit of agencies of European firms. It seems to me doubtful if sheikh can maintain that attitude for long; but would it be possible for him to impose some stipulations on the firm, as he did recently in the case of the American missionary doctor, supposing agent of Wöneckhaus were received by him in Koweit?"

I propose to approve terms of advice which resident has already given to sheikh, and I am inclined also to approve reply which sheikh proposes to send to Wöneckhaus, in view of desirability that Germans should be kept as long as possible out of Koweit. Agent of the firm will thus be kept for a time out of Koweit; future developments must, however, to a large extent depend on the general question of arrangements as to railway terminus with Turkish Government. Your instructions are solicited. The incident affords a fresh instance of activity in Gulf on part of Germans.

Please refer to enclosures in weekly letter of the 26th January last from Secretary to Government of India, Foreign Department, as regards stipulations referred to at end of resident's telegram. Acceptance of stipulations is, in my opinion, very unlikely.

[18440]

No. 65.

Aide-mémoire communicated by Tewfik Pasha, May 13, 1911.

TEVFIK PACHA avait déjà entretenu son Excellence Sir A. Nicolson du mouvement des navires de guerre de Sa Majesté britannique dans le détroit de Fav.

D'après les informations parvenues ultérieurement, ces vaisseaux de guerre y ont installé des mâts pour signaux et des bouées, et ont même tiré, le 6 avril dernier, un coup de canon aux alentours desdites bouées.

[17975]

No. 63*.

India Office to Foreign Office.—(Received May 12.)

Sir,

India Office, May 11, 1911.

I AM directed by the Secretary of State for India to forward, for the information of the Secretary of State for Foreign Affairs, copy of a telegram that has been received from the Government of India regarding an application made by Messrs. Wöneckhaus to the Sheikh of Koweit for permission to send a business agent to that town.*

In Viscount Morley's opinion, it is alike impolitic and impossible to attempt to exclude German commerce permanently from Koweit, but it is very important that it should, if possible, be prevented from obtaining a foothold there until the status of the place has been regularised and a settlement regarding the terminus of the Bagdad Railway arrived at. He therefore agrees with the Government of India, to whom he proposes to address the telegram of which a draft is enclosed.†

I am, &c.

R. RITCHIE.

* No. 64.

† See No. 92.

Le Gouvernement Impérial juge qu'au point de vue juridique la convention turco-persane de 1263 a reconnu à la Turquie la propriété du Chat-el-Arab et du détroit de l'Av ; car l'article 2 de ce traité, après avoir reconnu Mohammerah et Djéziret-ul-Hizir à la Perse, ajoute que les navires persans auront le droit d'aller et de venir en toute liberté dans ce fleuve depuis l'endroit où il se jette à la mer jusqu'à l'endroit où aboutissent les frontières des deux États.

Cette clause établit donc que si l'île de Djéziret-ul-Hizir a été cédée, le fleuve lui-même a été retenu comme propriété ottomane, car autrement on aurait dû stipuler la faculté de libre passage pour les navires des deux parties et non pour les bâtiments persans seuls.

Si même cette manière de voir était contestable, il est évident qu'en droit la propriété des fleuves servant de frontière appartient par indivis aux Puissances riveraines, ce qui exclut pour un État tiers tout droit d'y faire des actes de souveraineté, tels que pose de balises, bouées et mâts.

Tout en ne méconnaissant pas l'utilité au point de vue de la navigation de l'établissement de signaux indiquant les parages du fleuve où les navires peuvent passer sans inconvénient, le Gouvernement Impérial estime toutefois que le fait de les installer par des navires de guerre étrangers constitue une atteinte aux droits de souveraineté de la Turquie, étant donné que le Chat-et-Arab est essentiellement ottoman, ou appartient du moins par indivis aux deux États riverains.

Il serait donc plus conforme aux principes du droit international que la pose de balises, mâts et bouées fût opérée par des navires de commerce, après une entente avec le Gouvernement Impérial ou tout au moins avec les deux États riverains, et qu'en tout cas on ne tire plus de coups de canons dans le Chat-el-Arab.

Ambassade Impériale ottomane, Londres,
le 13 mai, 1911.

[18228]

No. 66.

Sir F. Bertie to Sir Edward Grey.—(Received May 13.)

[By Post.]

(No. 57. Confidential.)
(Telegraphic.) P.

Paris, May 13, 1911.

M. CRUPPI told me to-day that he had heard that His Majesty's Government were at present engaged in negotiations in regard to the question of the Bagdad Railway. I said that I had no knowledge of any such negotiations. His Excellency expressed the earnest hope that you will consult the French Government before committing yourself to giving your consent to the continuation of the 3 per cent. additional Turkish customs duties or to the further 4 per cent. customs duties demanded by the Porte. He will give an undertaking on the part of the French Government not to consent without consultation with His Majesty's Government. He is much perturbed at the increase of German influence in Turkey, and he is anxious to co-operate with you in any negotiations which may take place either at Berlin or at Constantinople. He considers that joint action is required for the defence of the French and British interests involved.

[18505]

No. 67.

Rear-Admiral Sir E. Slade to Sir E. Crowe.—(Received May 15.)

My dear Crowe,

Kowat, April 21, 1911.

I SUPPOSE you are interested in the Bagdad Railway terminus question. You know that we have always been considering this place as the only port that it was possible for the railway to come down to, and that we held the trump cards in consequence, because the line could not find an exit on the Gulf without coming to a port over which we had control. Our whole policy has in fact been based on this assumption.

I am afraid this is an entirely wrong assumption, and that the whole edifice erected on it is going to crumble about our heads like a house of cards.

The result of the survey of the river mouth, which I have just got the Government of India to do, shows that we can pass as heavy draft ships into the river as we can

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send to this anchorage. The depth on the bar has doubled itself in the last few years, and with very little expenditure of money we could get sufficient water to make it navigable for ships drawing 25 or even 26 feet.

The reason for this seems to be that one of the two channels which existed in former years has silted up and all the water now goes out at one channel, with the result that the scour has much increased and has cut out the bar.

The Germans and the Turks are, I believe, quite alive to the possibilities that this opens up, because the former have been egging the latter on to turn us out of the river, where we have been maintaining the buoys and looking after the navigation *à tout pis* *que mal*.

Now the effect of this is that there is no reason why Koweit should be chosen as the terminus of the railway, because the difficulties in the way of making it at Bussorah no longer exist.

We may certainly force the railway to go to Koweit, but I do not think it will be to any good or lasting purpose.

There will be a line from Zobair to Bussorah, and at Bussorah the goods are landed in a populous country and on the river, by which they can be distributed with ease. This applies particularly to goods going to or coming from Southern Persia which will all pass through Mohammerah.

If they were to go to Koweit they would be landed in the desert, and in order to distribute them they would have to go by sea to the river, and thence by lighter, except, of course, such as were for ports in the Gulf. This would entail an extra handling of all goods entering or leaving Persia by Mohammerah, and it is not likely that the trader would take this route. We should thus find the official terminus of the railway at Koweit, *en l'air*, with no trade to speak of, the actual terminus being at Bussorah where all the trade would go to.

But this part of the question is not so important as that of preventing the Turk from hampering the trade at Bussorah and in the river, particularly the Persian trade to Mohammerah and the oil trade of the Anglo-Persian Oil Company. We have lost our privileged position in the river by not looking after the buoys and keeping the charts correct, and the only thing that we can do, at least so it seems to me, is to put it into the hands of a commission on the lines of the Danube Commission. We should put in Persia, Turkey, and ourselves only if we can, but this is unlikely, and we shall be forced to accept Germany and Russia as well. We must not waste time over it or our opportunity will slip away and we shall find ourselves in a worse position than we are in at present.

Whatever happens to the railway we must put the navigation of the river on a safe footing. The Turk at the present moment is claiming all sorts of things and is going to put dues on our steamers very shortly. I do not know yet exactly what they are proposing to charge, but it is a sum which will bring the vali a good revenue which he will use for his own purposes, and not for the good of the trade or the river if he can help it.

Yours very sincerely,
EDMOND W. SLADE.

[18299]

No. 68.

Sir G. Buchanan to Sir Edward Grey.—(Received May 15.)

(No. 127. Secret.)

Sir,

St. Petersburg, May 11, 1911.

IN the course of a conversation which I had with the Acting Minister for Foreign Affairs yesterday, I enquired whether the German Ambassador had, since his return from leave of absence, made any communication to the Russian Government on the subject of the Russo-German negotiations.

M. Nératof replied that Count Pourtales had communicated to him certain observations which the German Government desired to make with regard to the revised text of the agreement, of which I had the honour to forward you a summary in my despatch No. 44, Secret, of the 21st February last. On my enquiring whether these observations were satisfactory, M. Nératof said that some of them were acceptable, but that others were not so; and he then proceeded to say that the chief objection raised by the German Government concerned the substitution in article 2 of the term "Konieh-Bagdad Railway" for that of "Bagdad Railway," which had been used in the

original draft. Count Pourtales had contended that as arrangements had now been made for the construction and completion of the Konieh-Bagdad line within the next four or five years, it would not be of the least advantage to Germany were Russia to engage not to oppose the realisation of that line. Such an engagement must, if it was to carry any weight with the German Government, extend to the whole Bagdad Railway system, so as to include the Gulf section, whose construction had still to be provided for. M. Nératof had, on the other hand, argued that the Russian Government had always understood that the engagement in question merely concerned the railway as far as Bagdad, as the question in discussion between the two Governments was the linking up of the Bagdad and North Persian Railway systems by a line running from Sadijeh to Tehran via Khanikin. The Bagdad-Gulf section, he had asserted, had nothing whatever to do with this question, and had not entered into the purview of the negotiations.

M. Nératof informed me that he had not yet submitted the matter to the Council of Ministers, and that before coming to a final decision he would consult you through the Russian Ambassador in London. He was, in fact, only waiting for a safe opportunity to write to Count Benckendorff, as he was so anxious that the Germans should not suspect him of discussing the question with you that he preferred not to trust such a communication to a cypher telegram. He was afraid, however, that the German Government would insist on the retention of the original wording—"Bagdad Railway"—and that if the Russian Government refused to yield on this point the whole negotiations would break down. This would mean that Germany would regain her liberty of action in North Persia, and the first use which she would make of it would be to obtain a concession for the Khanikin-Tehran line.

I said that I knew that you were anxious that the present negotiations should be brought to a satisfactory conclusion, but that at the same time we should naturally prefer to see the words "Konieh-Bagdad Railway" retained in the text. I had always understood from what M. Sazonow had told me that the German Government perfectly understood that the engagement which Russia was to take was restricted to the railway as far as Bagdad; but this did not now appear to be the case. I trusted, however, that if the Russian Government should find itself obliged, in order to prevent a breakdown of the negotiations, to give way to Germany on this important point, it would do so only on the understanding that no other concessions were to be expected from it.

I was unable to get M. Nératof to say what were the observations submitted by the German Government which he regarded as unacceptable. He told me, however, that Germany had offered her financial participation in the Khanikin-Tehran Railway, should the Russian Government desire it, and gave me to understand that some other formula would have to be found to record the engagements taken by Germany in the third article respecting the railways to the north of Khanikin; but he did not say whether he contemplated reverting to M. Sazonow's idea of embodying these engagements in an exchange of notes.

There has been a temporary improvement in M. Sazonow's condition during the past week, and his Excellency has doubtless been consulted by M. Nératof with regard to the German answer to the Russian text of the agreement. I fear, however, that, whoever may be responsible for the conduct of the negotiations at present, Germany is pretty sure to get the better of the bargain.

I have, &c.

GEORGE W. BUCHANAN.

[18301]

No. 69.

Sir G. Buchanan to Sir Edward Grey.—(Received May 15.)

(No. 129.)

Sir,

St. Petersburg, May 11, 1911.

I HAVE the honour to state that, in accordance with the instructions conveyed to me in your telegram No. 159 of the 9th instant, I yesterday communicated to the Acting Minister for Foreign Affairs the substance of the reply of the Persian Government to our application for the option of a railway from Khor Musa to Khorremabad, as well as the substance of your answer, as set forth in the first paragraph of your telegram No. 159.

I have, &c.

GEORGE W. BUCHANAN.

[18485]

No. 70.

Foreign Office to War Office.

Sir,

Foreign Office, May 15, 1911.

SIR EDWARD GREY has had under his consideration Sir W. Nicholson's memorandum of the 26th ultimo respecting the project for a Trans-Persian Railway.

Without wishing to dispute many of the arguments against the utility and advantage of the construction of such a line—so far as British interests are concerned—Sir Edward Grey is disposed to think that Sir W. Nicholson somewhat underrates the commercial value of a line debouching at Bunder Abbas, which has, for some time past, been recommended to Sir E. Grey by competent authorities as likely to give a great impetus to British trade with Persia.

He will also refrain from discussing the measures of defence which might become necessary if the line was built, as its construction has been approved by the Government of India. He would add, in this connection, that the proposal to construct and garrison a fortress at some point on the coast section did not emanate from the Government of India but from the chief of the Indian general staff, who made it in a separate note, and that the suggestion was adopted neither by the committee appointed to consider the question of the railway, of which that officer was a member, nor by the Government of India themselves, of which the commander-in-chief is a member.

The reasons which have weighed in the decision to inform the Russian Government that he is ready to refer the examination of this question to a "comité d'études" are the conviction that it will be impossible to resist indefinitely the construction of a Trans-Persian Railway, and that, if constructed, it is highly important that it should follow an alignment which, with all its disadvantages, is that preferred by the Government of India to other possible routes.

It is possible that the project may not survive a minute investigation, and that it may, for financial and economic reasons, be found to be impracticable; but until the question has been thoroughly examined, Sir E. Grey feels that he would not be justified in negating a scheme which is strongly advocated by the Russian Government, and which, *prima facie*, would be to the advantage of Persia.

I am, &c.

LOUIS MALLET.

[18570]

No. 71.

Sir G. Louther to Sir Edward Grey.—(Received May 16.)

(No. 328.)

Sir,

Constantinople, May 12, 1911.

THE India Office letter of the 29th March ("Eastern Department: Secret Series" [12463]), containing the conclusions of His Majesty's Secretary of State for India on the question of our participation in the international company to be formed for the construction of a railway from Bagdad to the Persian Gulf only reached me by the last messenger, but although somewhat belated, I venture to offer a few remarks both on those conclusions and on the reasons on which they are based.

The statement in paragraph 3 that "it is not probable that in an international company to be formed for promoting a railway on Turkish soil Turkey will consent to reduce her share below the 40 per cent. proposed" appears to me to be open to criticism. The "international" company is in reality an Ottoman company, created in virtue of an agreement with the Porte, and subject to Ottoman laws and police, and its operations are wholly within Ottoman territory. Turkey therefore does not depend for its control over the line on the percentage of its participation in the same way that we must do for the protection of our commerce against differential treatment, and indeed, from that point of view, Turkey need have no more concern to have a financial stake in the company than it has, for instance, in the Smyrna-Aidin Railway. In fact, the reasons for Turkey having a large or indeed any holding in the proposed company are more sentimental than anything else. Turkey moreover has no money to put into the railway; she would have to borrow the money abroad on rather onerous terms considering the present state of her finances, and it is probable that as a business transaction the Turkish Minister of Finance would prefer not to be obliged to raise a considerable sum, which for some years is

bound to be unremunerative. For these reasons I venture to think that it is by no means impossible to induce Turkey to agree to a very material reduction of the percentage of the capital of the "international" company.

Again, as regards French participation, it appears to me that as we are leaving the field free to France in so many other parts of Turkey we may fairly expect that the French Government will defer to our wishes in regions where our interests are so greatly superior to hers.

I am not quite sure of the meaning of the last part of paragraph 4, but if, as I suppose, it suggests that if we concede the 4 per cent. increase of the customs duties, British trade with Western Persia by the Bagdad route would be penalised to the extent of 48,000*l.* a year, as compared with the trade by the Mohammerah-Khorremabad route, I must point out that there is a misconception. Imports to Persia by Bagdad only pay the transit duty of 1 per cent., and this duty is not effected by the 4 per cent. increase of the import duties.

In paragraph 5 it is implied that the whole of the increased import duties would fall on British trade. The Turkish contention is that they will mostly be borne by the consumer and the argument is one which it is not easy for the Government of a free-trade country like Great Britain to refute.

In paragraphs 7 and 8 Lord Morley expresses the opinion that the balance inclines markedly to non-participation, and suggests that the Turks should be informed in the friendliest terms that His Majesty's Government are unable to accept their proposals regarding the railway, and that, after carefully examining the situation, they have come to the conclusion that the extension of the line to the Gulf is not worth to them the price which they are prepared to pay; and as they do not require the extension in the interests of their own trade, they do not think it necessary to put forward counter-proposals. The fact, his Lordship adds, that the German company have relinquished their claim to the increased customs duties makes it the more easy to adopt this attitude since the refusal of His Majesty's Government to consent to them will no longer wear the appearance of hostility to the railway. In spite of the danger of making prophecies in this country, I will venture to make a forecast of the result of such a communication on public opinion and on the Government here. The press has been constantly used to spread the belief that our main condition for the increase of the customs duties has been that the proceeds should not be devoted to the Bagdad Railway—a view for which it must be confessed there is some little justification, in view of the Foreign Office memorandum of the 23rd September, 1909, quoted in the Porte's notice of the 10th April, and if, now that the German company has agreed to relinquish its claims to those revenues, we were to decline to agree to the increase of the duties we should infallibly be held to be guilty of a breach of faith. The Turkish need for new sources of revenue is moreover being felt daily more acutely, and to refuse them after our main requirements have in Turkish eyes been fulfilled would provide a golden opportunity to the hostile press to proclaim against the hollowness of British friendship, and we should be denounced as pursuing a faithless and dog-in-the-manger policy. The confidence even of our friends would be shaken and a satisfactory settlement of the railway question, as well as of the many Gulf questions would be rendered for more difficult. The probabilities are that negotiations would be entirely broken off, and that the Turks would turn again to the Germans to carry out the Bagdad Railway scheme in its original form, and it is possible that we should see the Gulf sections completed very likely quite as soon as the Mohammerah-Khorremabad line, on which Lord Morley relies to protect our Persian trade. The Turkish railway would be built and managed, moreover, without our having any voice in it for the protection of our trade with Mesopotamia, a trade which is likely to attain important proportions as the country is developed by the Willecocks's irrigation schemes.

Lord Morley also makes some remarks on the question in connection with our relations with Germany, and on two of these I venture to say a few words from the local standpoint. His Lordship suggests that a friendly agreement with Germany is essential before a satisfactory settlement can be discussed with Turkey. With the recent example of the Potsdam negotiations before us he cannot lose sight of the fact that such a course might cause some irritation to Turkish susceptibilities. Germany also could scarcely hope to succeed in laying the onus on us as she attempted to do on Russia, and for that reason she would probably be averse from negotiating with us alone. The second point on which I wish to comment is the suggestion that the ostensible relinquishment by Germany of the concession for the Gulf section makes it easier for His Majesty's Government to refuse to facilitate the construction of that

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section, since the refusal can no longer be interpreted as an unfriendly act to Germany. Such an argument may perhaps serve in Berlin, but it would be useless to allay the irritation in Constantinople which would inevitably result from our refusal to consent to the 4 per cent. customs increase or to participate in the railway.

I have, &c.

GERARD LOWTHER.

[18529]

No. 72.

Sir F. Bertie to Sir Edward Grey.—(Received May 16.)

(No. 214.)

Sir,

Paris, May 14, 1911.

THE Minister for Foreign Affairs is very much perturbed at the state of affairs in Turkey and the predominance of German counsels at the Porte. There is every chance of disturbances in the Balkans before long. The revolt in the Yemen continues. The mortality amongst the Turkish troops sent thither to suppress it is very great, and the Grand Shereef of Mecca shows signs of shaking off the Turkish yoke. The Government of the Ottoman Empire by the Committee of Union and Progress is a failure. The Young Turk party has not shown the qualities which were hoped and expected of it. The recent changes in the Turkish Cabinet are ominous of an increase in the already dominant influence of Germany, which had enabled her to make arrangements most favourable to her own interests in regard to the Bagdad Railway, regardless of those of France and England. Matters cannot continue as they now are at Constantinople, and there may be a crisis at any moment and a seizure of power by a military dictator. All this was said to me by M. Cruppi yesterday. The only way in which France and England can hope to combat the predominance of Germany at Constantinople would, in his Excellency's opinion, be an understanding between the British and French Governments for joint action in Turkish affairs. This gave me an opportunity to say that at Constantinople joint action, to be efficacious, should be financial as well as political, and that unfortunately the Ottoman Bank had invariably stood in the way when attempts had been made to bring about Anglo-French financial co-operation, the policy of that institution apparently having been to oppose any undertakings where such co-operation would be useful unless and until the bank itself was prepared to promote them and have the controlling share in them. I then gave to M. Cruppi instances in which the Ottoman Bank had so acted, and I went on to say that negotiations were now going on in London between representatives of the Turkish National Bank, the Salonica Bank, and other French financiers which were likely to fail owing to the obstructive attitude of the Ottoman Bank. His Excellency interposed to observe that information which had just reached him showed that Sir Ernest Cassel did not care to continue the business of the National Bank, and the pourparlers had consequently come to an end. I replied that I knew that in the interest of the Ottoman Bank it had been represented that such was the attitude of Sir Ernest Cassel, and that His Majesty's Government were indifferent in the matter; but unless M. Cruppi's information which he had just mentioned was of the day and positive, I thought that the position had been misrepresented. His Excellency said that he would make further enquiries as to the circumstances and result of the negotiations in London, and that he was all in favour of an arrangement for a fusion of interests. What, however, was essential for the defence of French and British interests against German opposition was an immediate understanding for joint action at Constantinople. M. Cruppi did not say what the nature of that action should be or how it should be exercised generally; but in regard to the Bagdad Railway question, respecting which he had learnt that you were now negotiating, he requested me to beg you most earnestly not to commit yourself in any way to consenting to a continuation of the 3 per cent. additional customs duties or to a further increase of 4 per cent. to them without consultation with the French Government, who would give an undertaking to withhold any such consent by them without consultation with His Majesty's Government. What he desired would be that the British and French Governments should support each other in any negotiations, whether at Constantinople or at Berlin, on the subject of the Bagdad Railway, so that they might assist each other in protecting British and French interests.

I have, &c.

FRANCIS BERTIE.

[17870]

* No. 73.

Sir Edward Grey to Sir G. Barclay.

(No. 155.)

(Telegraphic.) P.

Foreign Office, May 16, 1911.

MOHAMMERAH-KHOREMABAD Railway.

Please state if following report, received from Persian Transport Company, is correct, viz., that on the 9th May International Oriental Syndicate were to offer to construct above-mentioned railway on conditions that Persian Government was to entertain no other offers, and that the necessary loan was to be secured on the railway itself.

In telegraphing as requested, you should add report as to chances of its acceptance.

[18228]

No. 74.

Sir Edward Grey to Sir F. Bertie.

(No. 114.)

(Telegraphic.) R.

Foreign Office, May 16, 1911.

YOUR telegram No. 57.

M. Cambon said yesterday that he had fully informed French Government as to present state of our negotiations with Turkey and our attitude in regard to 4 per cent. customs duties (see my despatch No. 114), but French Minister for Foreign Affairs had heard that we were negotiating at Berlin in regard to Bagdad Railway and Persian Gulf questions.

M. Cambon was informed that we were not at present negotiating at Berlin on either of these questions, though it was possible that some day we might do so. In that case we should inform him. Our attitude as to the 4 per cent. customs duties remained exactly where it was, and the assurance we had given as to not consenting without the concurrence of France would certainly hold good.

[17870]

No. 75.

Foreign Office to Persian Transport Company.

(Confidential.)

Sir,

Foreign Office, May 16, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 10th instant relative to the recent application by His Majesty's Government to the Persian Government for an option to construct, with British capital, a railway from the Persian Gulf to Khoremabad.

I am to inform you that the question still forms the subject of negotiations with the Persian Government, and that a further communication on the subject will be addressed to you in due course in reply to your enquiry as to whether the proper moment has arrived for your company to approach the Persian Government on the subject.

I am to express to you at the same time Sir Edward Grey's thanks for the copy of a telegram, enclosed in your letter, relative to the reported offer of the International Oriental Syndicate to construct this line.

I am, &c.

F. A. CAMPBELL.

[18952]

No. 76.

Admiralty to Foreign Office.—(Received May 18.)

(Confidential.)

Sir,

Admiralty, May 17, 1911.

WITH reference to Admiralty letter of the 22nd ultimo, enclosing copy of telegram from the commander-in-chief, East Indies, I am commanded by my Lords Commissioners of the Admiralty to forward herewith, for the information of the Secretary of State,

copy of a letter dated 22nd April, which the commander-in-chief has addressed to the Government of India relative to the question of the terminal port of the Bagdad Railway.

Copy has also been sent to the India Office and Committee of Imperial Defence.
I am, &c.

W. GRAHAM GREENE.

Enclosure in No. 76.

Rear-Admiral Sir E. Slade to Admiralty.

(Confidential.)

Sir,

"Highflyer," at Koweit, April 22, 1911.

BE pleased to lay before his Excellency the Viceroy and Governor-General of India in Council the following remarks on the general state of affairs in the northern part of the Persian Gulf. Now that our survey of the entrance to the Shatt-el-Arab is finished, it is possible to compare the plan with that of Koweit, and to draw certain conclusions. I have consulted the officers who made the survey, and I have visited both places recently, and I have discussed the question with Colonel P. Z. Cox, the political resident in the Persian Gulf. I have in consequence formed the opinion that it is impossible to dissociate the navigation of the Shatt-el-Arab bar from the general question of the terminus of the Bagdad Railway, and that the two matters must be considered together if we are to arrive at a sound opinion.

2. The first question that arises is that of the correct boundary between Persia and Turkey. The work of the commission assembled under the treaty of Erzeroum to delimit the frontier between those countries was abortive, and in any case its report cannot be considered to be a very valuable instrument, as the map by which it was supposed to be accompanied is missing. The sketch map illustrating the text is hopelessly inaccurate, and only leads to trouble, since it appears that the Turks have a copy of it, and will doubtless try to put it forward as having conventional force.

By this treaty Turkey is understood to claim, amongst other things, the whole waterway of the Shatt-el-Arab from bank to bank, and Turkish officers have tried to enforce it by requesting British officers who were surveying to remove a tide pole which they had erected on the Persian shore. This contention, as far as I know, is most unusual, for the line of demarcation between two States bordering a stream is usually the centre of the fairway, or midway between the low-water marks on either side.

Until this point is settled, it is impossible to say exactly where the respective territorial waters end, but, however the matter is decided eventually, it does not appear that Turkey can justifiably claim that the whole of the approaches to the river pass within her territorial limits.

3. An examination of the survey of the bar, which has just been completed, shows that there is a good channel into the river, with a least depth on it of 13 feet at low water. The rise and fall of the tide is about 9 to 10 feet, which will allow vessels of from 21 to 22 feet draught to enter the river at high water. As far as I know, there is plenty of water in the river for any class of ship which is likewise to trade to the Gulf. The length of the shoal water over the bar is $1\frac{1}{2}$ miles, and, as the bottom is soft mud, there should not be any difficulty in increasing the depth on the bar by dredging to 15 or 16 feet, which will admit any vessel up to 24 or 25 feet draught. This would be ample for all practical purposes.

4. At Koweit there are two places at which the harbour might be made. One of these is at Shweikh, where vessels drawing 19 to 20 feet can enter at high water. The depth of water there over the bar is about the same as over the bar of the Shatt-el-Arab, and the distance to be traversed in shoal water is less in the former than in the latter place. The bottom, however, is hard instead of soft, and it is not possible for quite such heavy draught ships to enter Shweikh as can enter the river. The anchorage at Shweikh is good but small, and there is little room for expansion. It is exposed to the north-east, from which quarter a nasty sea will reach the anchorage—not enough to render it unsafe for shipping, but sufficient to interfere with lighterage.

5. The other possible situation for a harbour at Koweit is the Duhat Kathama, where vessels drawing 24 to 25 feet can lie at about $1\frac{1}{4}$ to $1\frac{1}{2}$ miles from the shore. This anchorage is more exposed than Shweikh, but it has not a bar and there is more room in it. If Koweit were to become an important port, as would be the case if it were the terminus of the railway, it would probably be necessary to construct a breakwater for the selected harbour.

6. At Shweikh, ships would lie close to the shore, and the length of quays or jetties would not be very great. At Kathama, ships lie a long way out, the water is very shoal, and the shore is low and marshy, so that it would be necessary to undertake considerable work on shore to make it suitable for a large amount of trade.

Since Bussorah is in the river these difficulties do not exist. Quays would be easy to construct there, weather would not interfere with the work, and ample room exists for expansion.

7. Koweit appears to have been selected by the Germans in the first instance as the only suitable place for the terminus of the railway, and it was this apparently which dictated our present attitude towards the Sheikh and Turkey. Why Germany took that view I do not know, unless it be that she thought that she would have more chance of obtaining an independent position at Koweit than if the terminus were at Bussorah.

8. Last year we allowed the buoys on the Shatt-el-Arab to get into a very bad state, and the chart was not kept up to date, so that ships frequently stranded as they crossed the bar. It would appear that Germany then saw her opportunity, and arranged that her ship-owners should complain to Turkey of the inefficient state of the bouys and press her to put things in order. She did this without any reference to Great Britain, with the obvious intention of substituting Turkey for ourselves as the power controlling the waterway.

Since Turkey is only too anxious to annoy us in these parts at the present moment, she was glad to fall in with the suggestion, and the result is that the Turkish buoys have been placed alongside ours, and the vali has demanded, as stated in the political resident's telegram dated the 27th March, 1911, addressed to the Foreign Department of the Government of India, that we should remove our buoys and marks, as Turkey alone is responsible for the navigation of the Shatt-el-Arab.

9. As I have already indicated, there is not any difficulty in so improving the navigation of the Shatt-el-Arab at comparatively small expense as to admit any small steamers that can reach and use the harbour at Koweit. If Germany and Turkey can make good the claim of the latter to the sole control of the navigation of the river, and if Bussorah is made the terminal port of the railway instead of Koweit, then the control that Great Britain would exert over the undertaking through her predominant influence in the terminal port will vanish. It is obviously not Germany's policy to make a parade of this nor to appear to take any interest in it, and for tactical purposes she will doubtless continue to put forward Koweit as the only possible port.

When once the Turkish claim has been recognised, she will be in a position to obtain from Germany such assistance as is necessary to finance and control the works for the improvement of the river. In a very short time the works, if properly administered, will more than pay for themselves. If the line from Zobair to Koweit be not constructed, it is probable that the money saved (say 70 miles at 6,000*l.* a mile = 420,000*l.*) will be more than sufficient to do all that is necessary in the river. We shall then have the port and the approaches to it entirely under German-Turkish control.

10. From these considerations it is evident that the chances of Bussorah being eventually chosen as the terminal port are very great, and it seems most important not to allow Turkey to assume the whole control of the river. The best way of checking this appears to be to make Persia object to such an assumption on the part of Turkey, and to put Great Britain forward as her delegate in the matter. The latter, as owning about 85 per cent. of the trade of the river, can also speak on her own behalf, and in this way it may be practicable to place the control of the navigation into the hands of a commission, as suggested in my letter dated the 24th March, 1911, formed of delegates of the three Powers, Persia, Turkey, and Great Britain, with the British delegate as president.

11. It is hardly likely, however, that Germany will acquiesce in this arrangement, in which case we shall have to admit her on the commission. It must then be arranged to put a fifth Power on the commission, in order that there may be an uneven number of delegates, and that the chances of questions being hung up through an equality of votes may be obviated. This other Power must be either Russia or France, preferably the latter, but Russia has the greater claim, and will probably have to be chosen.

A British engineer should be appointed as engineer-in-chief for charge of works in connection with the improvement of the navigation of the Shatt-el-Arab, with a sufficient number of subordinate officials of British nationality under him to ensure the administration being carried on as we should wish it. I think we might be able to press this, having in view all that we have done for the navigation of the river in the past.

[1501]

2 A

12. It is most unfortunate that we should have allowed the upkeep of the buoys and charts to go by default; had we not done so, this question might never have arisen; but as it has come up I do not see any way out of it but to take steps to ensure that neither Germany nor Turkey shall have her own way unchecked. The model of the Danube Commission might be taken throughout as that of the proposed commission, and I think that it would not interfere in the politics of this region any more than the Danube Commission has done in the politics of the Danubian principalities.

13. It must be recognised that the creation of such a commission and the commencement of works to improve the river will still further lessen the chances of the railway being brought to Koweit, but it may still be possible to attract it there by offering to make Koweit a free port, and by giving facilities for the construction of harbour works on an adequate scale. But it is probable that a similar amount of money spent on the river would bring in a better return, and, except for difficulties of ownership and general administration which are likely to arise on account of the peculiar idiosyncrasies of the Turk, Bussorah would appear to be a better place than Koweit in every way.

14. In following the precedent of the European Commission of the Danube, it must not be forgotten that Sulina, where the principal works of the commission are situated, is a free port, and there does not seem to be any reason why a similar port should not be established either on the Persian or Turkish side of the mouth of the river, preferably the former, in order that it should be more under British control. This port would afford very considerable convenience to merchants, particularly to those who may wish to load their ships deeper than the bar will admit.

15. The position of the Anglo-Persian Oil Company must also be considered and safeguarded to the utmost of our power. Looking at it from a naval point of view, the security of the oil company is more important than anything else in the northern part of the Gulf. The oil company will probably be obliged to dredge the bar if this is not done by anyone else, and we shall have to see that restrictions are not put in their way. One effect of the Turkish claim to the whole of the waterway from bank to bank will be that while the oil company's concession is in Persia, the steamers loading will be in Turkey, and the opportunity for friction and trouble will not be lost by an enterprising vali if he wished to annoy us.

16. I have assumed throughout that it is certain that a branch line will be built to Bussorah from Zobair, whatever place is ultimately selected as the terminus. Unless we have a share in the construction of the last section, therefore, it is quite possible that we shall find at the last moment that the branch line has become the main one and that the section between Zobair and Koweit has been abandoned.

17. Even after the section to Koweit has been built, if the navigation of the river is improved so as to admit deep-draught ships without risk, Koweit will probably be abandoned by the trade in favour of Bussorah, on account of the greater facilities which exist at the latter place.

18. The conclusions that have been forced upon me by the above considerations are as follows:—

(1.) That, from a seaman's point of view, the harbour of Koweit offers very few advantages, if any, over the river, and that if the navigation of the river is improved, the latter will not be inferior in any respect.

(2.) That as the natural terminus of the railway is at Bussorah, the trade will go there in preference to Koweit, whatever we may do to prevent it, provided that the former provides facilities over the latter.

(3.) That it is imperative to take steps at once on our own initiative to regularise the situation as regards the navigation of the Shatt-el-Arab.

(4.) That the river should be placed into the hands of a commission, preferably consisting of the three Powers: Persia, Turkey, and Great Britain.

(5.) That, failing this, a commission should be constituted on the lines of the European Commission of the Danube.

(6.) That a British engineer with suitable assistance should be appointed to advise on and undertake works for the improvement of the navigation of the river.

19. It now becomes necessary to consider the steps that we should take to bring Turkey to terms if she should become recalcitrant.

Firstly, all signs of Turkish sovereignty might be removed from the shores of the Persian Gulf, Bubiyan, and Um-Kasr handed over to Sheikh Mubarak, and that chief at the same time properly safeguarded. This can be done without any increase of the present force in the Gulf, but it would probably only irritate the Porte without being in any way effective.

[18976]

No. 76°.

Sir G. Barelly to Sir Edward Grey.—(Received May 18.)

(No. 179.)

(Telegraphic.) P

Tehran, May 18, 1911.

RAILWAYS.

Reference to your telegram No 155, dated 16th May.

I am informed by Mr. Osborne that he recently received a verbal enquiry from the Persian Government as to whether the International Syndicate could arrange for the construction of a railway from the Persian Gulf northwards.

After consultation with his principals, Mr. Osborne gave the Persian Government to understand that the International Syndicate would be ready to consider proposals in the sense indicated. On the 16th May he was informed by the Minister for Foreign Affairs that the Persian Government would be ready to enter into negotiations with a view to the construction of a line from north to south on the condition that His Majesty's Government gave their consent to the scheme.

This account is substantially borne out by the Minister for Foreign Affairs, and I understand from his Excellency that the line contemplated by his Government is one from Julfa to Mohammerah. Minister for Foreign Affairs was not, however, very clear on the point.

International Syndicate would, Mr. Osborne also informed the Persian Government, retire if negotiations were begun with any other group.

In reply, I have reminded Mr. Osborne and Minister for Foreign Affairs that the consent of the Russian Government would be necessary for the proposed scheme.

It seems to me more than ever unlikely that the Persian Government could be induced to accept any British offer for a railway which would stop short on the edge of the Russian zone. Minister for Foreign Affairs availed himself of the opportunity, when I took note of the willingness of the Persian Government to enter into negotiations with a British group, to remind me that his previous remarks applied to railway construction in general in Persia, and he intimated that there would be no chance of railway schemes drawn up to comply with the exigencies of the zones of interest being accepted by the Persian Government.

Any indication you can give me to guide me in my attitude towards Mr. Osborne will be welcome.

[1501]

2 A*

Secondly, we could occupy Fao and the adjacent country, and inform the Porte that unless they quickly came to terms we should blockade the river and stop the trade of Bussorah and Bagdad. This would probably reduce the Turks to reason, but, if we had to enforce the blockade in order to make them yield, it would severely injure our trade for the time, and for that reason would be very unpopular with our own people and with the Arabs. We should require a force of troops to carry out this scheme.

Thirdly, we could take advantage of Turkey's difficulties in Arabia and threaten her line of communication to Hodeida. If carried out, this would result in the loss of Southern Arabia to Turkey and probably also that of the whole of the peninsula, for it is unlikely that having once turned the Turk out of Southern Arabia, the Arabs would stop before Mecca and Medina were once again in their hands. This would be a very extreme measure to take; but, at the same time, it is that which would be most likely to be immediately effective. It is a course, however, which I would hesitate to recommend unless another were not possible.

I have, &c.

EDMOND J. W. SLADE.

[19138]

No. 77.

Sir Edward Grey to Sir E. Goschen.

(No. 114.)

Sir,

Foreign Office, May 18, 1911.

I TOLD Count Metternich to-day that we had not yet replied to the Turkish proposal about the Bagdad Railway. We could not accept it as it stood, but we should put forward another proposal, and we were now waiting for information from the Government of India about the Persian Gulf. Our objects were two-fold:

1. To secure that in practical working, and not only on paper, there would be no differential treatment of British trade; and
2. To make sure that the strategical position in the Persian Gulf would not be altered to our disadvantage.

Count Metternich observed that, in the Bagdad Railway concession, equal treatment was promised for all trade.

I pointed out how treatment which was equal in theory might be differential in practice, by the placing of high rates on goods in which we were specially interested and low rates on goods in which Germany was specially interested. If we were to concede to Turkey an increase of customs duties, which directly or indirectly would facilitate the making of the Bagdad Railway, we must, by means of our participation in the southern end, get some position which would be a guarantee to public opinion here that there would be no differentiation in railway rates. I said that, in conversation with my colleagues, I had always stated that it was not the intention of Germany to differentiate, and that when, as sooner or later must be the case, her assent was asked to a final settlement of the Bagdad Railway question, she would be willing to meet us on this point.

Count Metternich assented, and confirmed the view that the German Government had no desire to secure differentiation as regards trade.

I am, &c.

E. GREY.

[17975]

No. 78.

Foreign Office to India Office.

Sir,

Foreign Office, May 18, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 11th instant, regarding an application made by Messrs. Robert Wöckhaus and Company to the Sheikh of Koweit to send an agent to that town.

I am to inform you in reply that Sir Edward Grey concurs in the opinion of

Viscount Morley as set forth in the second paragraph of your letter, and in the terms of the telegram which his Lordship proposes to address to the Government of India with regard to this question.

I am, &c.
LOUIS MALLET.

[19608]

No. 79.

Lord Grimthorpe to Mr. Mallet.—(Received May 22.)

Dear Mr. Mallet,

80, Portland Place, London, May 12, 1911.

I HAVE just returned from travelling abroad and find your letter of the 26th April, for which I am much obliged. I did not suppose that the rumours in question had emanated from the British Ambassador at St. Petersburg, as his attitude to Mr. Williams, though cautious, was friendly, and had Mr. Williams imagined that the damaging communications came through him, he would at once have spoken to him on the subject. He telegraphed to me to find out their source and origin if I could, and I, fearing that the Russian Foreign Office might have communicated with you, at once took the steps that appeared to be required in order to put myself right with you in this matter, which is unquestionably of some importance, as it may considerably affect the employment of British capital in Russia. Mr. Williams, having been able to satisfy the Russian Government on every point, left St. Petersburg with a written promise of excellent business on a very large scale—in fact so large that the extent of it mainly depends upon our capacity to deal with it. As we do not intend to take up any business that we are not able to carry through, we are now engaged in forming a million-pound syndicate among financiers of the highest standing. This of course cannot be done in a day, but I hope that Mr. Williams will soon be able to return to Russia with adequate financial support to enable him to enter into a definite agreement with the Government, by means of which a splendid and unique opening will be offered to British capital, so that the exploitation of Russia will no longer be left entirely in the hands of the Germans, which the Russian Government apparently does not desire to see indefinitely continued.

I do not wish to trouble the Foreign Office, or to ask for any special support beyond what I believe they are always prepared to give to British enterprise conducted on sound lines, but I do wish to keep them informed of what is going on, and to ask you to convey my thanks to Sir Edward Grey for the interest he has taken in this matter.

Yours truly,
GRIMTHORPE.

[19356]

No. 80.

Sir G. Buchanan to Sir Edward Grey.—(Received May 22.)

(No. 134. Secret.)

Sir,

St. Petersburg, May 16, 1911.

IN accordance with the instructions conveyed to me in your despatch No. 129, Secret, of the 10th instant, I yesterday communicated to the Acting Minister for Foreign Affairs the conditions on which His Majesty's Government are willing to assent in principle to the proposed trans-Persian Railway, and to agree to the initiation of negotiations between its promoters in St. Petersburg and London. I at the same time handed to his Excellency a memorandum embodying these conditions.

In the course of our conversation I explained to M. Nératof that the first three conditions had been dictated by strategic considerations, and had been inserted in the interest of India. Were the projected railway to be constructed, India would, I said, have to sacrifice all the advantages of her present strategical isolation with but little prospect of gaining any solid commercial advantages in return, and it was therefore necessary for us to see that her interests were safeguarded. A railway, moreover, that ran along the southern frontier of Afghanistan might be unfavourably viewed by the Ameer, and might tend to arouse a feeling of suspicion and ill-will in His Majesty's

[19342]

No. 78*.

Sir G. Lowther to Sir Edward Grey.—(Received May 21.)

(No. 119.)

(Telegraphic.) P.

Constantinople, May 21, 1911.

BAGDAD Railway.

Following refers to telegram No. 57 from His Majesty's Ambassador in Paris to Foreign Office, of the 15th instant:—

An absolute engagement, such as that desired by the French Minister for Foreign Affairs, might in regard to Germany and Turkey prove inconvenient in the course of the Bagdad Railway negotiations. The French Government have no political interests such as Behrein, Koweit, &c., and, compared to ours, only trifling interests in the railway itself. As His Majesty's Government have promised to keep French Government informed of the progress of the negotiations, their request seems to require elucidation.

[1501]

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mind. I at the same time pointed out that, while Russian trade would undoubtedly profit very considerably from the projected railway, British trade would gain nothing without the branch lines enumerated in my memorandum. In consenting in principle to its construction we were, I added, mainly actuated by the desire of collaborating with Russia towards the realisation of a scheme in which she took so much interest.

M. Nératof observed that he would have thought that, were the main line to be brought down to the coast at Bunder Abbas as we now suggested, the branch lines to which I had referred might be dispensed with, but that he quite understood our general attitude. We must not, however, imagine that because the Russian group represented by M. Khomiakoff and M. Zweguintzoff were actively pushing this railway scheme the Russian Government were definitely committed to it. All that they had done so far was to give their conditional assent to the formation of a "comité d'études," and he was himself rather sceptical as to whether this committee would ever get a return for the money which they proposed to expend on the preliminary investigation.

I remarked that, though I was also not very optimistic on this point, I personally thought that the construction of a trans-Persian Railway was a mere question of time, and that if this view was correct, it would be preferable to construct it as soon as possible under Anglo-Russian auspices so as to forestall the proposed Khanikin-Tehran line. His Excellency replied that he feared that this would be impossible, as the latter line would probably be commenced in some six years' time. The first problem that would have to be solved with regard to the trans-Persian Railway was the question of its alignment, and though this was a matter which would have to be carefully gone into by the "comité d'études," the final decision must of course rest with the two Governments. The first and most essential condition was that it should provide Persia with the most rapid means of communication with Europe, and that it should thus be able to compete successfully with the Bagdad Railway. That railway constituted the most direct route, and it was, sooner or later, bound to be prolonged towards the Indian frontier via Khanikin and Ispahan, it was necessary that the alignment of the trans-Persian Railway should be made still more direct. On my remarking that we should have to bring pressure to bear at Tehran to prevent Germany obtaining a concession for a line from Khanikin to Ispahan through the neutral zone, M. Nératof replied that we were more likely to attain this object by convincing the Persian Government of the commercial advantages offered by the railway in which we were interested than by exercising political pressure.

I gather from what M. Nératof subsequently told me that his Excellency is in favour of a line running along the eastern shore of the Black Sea from a point opposite Kertch, with which it could be connected by a tunnel, rather than of one from Baku to Enzeli. What, however, struck me most was his Excellency's lukewarmness with regard to the trans-Persian Railway scheme, as well as the conviction with which he spoke of the extension of the Bagdad Railway across the neutral zone as a factor with which we should have to reckon.

Since seeing M. Nératof I have communicated to M. Khomiakoff and M. Zweguintzoff, the principal promoters of the trans-Persian Railway scheme, the general views of His Majesty's Government with regard to that project. I told them that His Majesty's Government were prepared to consent to it in principle on certain conditions, of which the chief ones were that the line should join the Indian railway system at Kurrachee instead of at Nushki; that there should be a break of gauge at Bunder Abbas, or at whatever point it might enter the British sphere of influence; that, as the main line would confer but little benefit on British trade, certain branch lines should be constructed from the coast; and that in the British sphere the line should be a purely British project.

Both M. Khomiakoff and M. Zweguintzoff expressed themselves as quite satisfied, remarking that they personally saw no objections to any of the above-named conditions, though they could not answer for their Government.

On my asking them what view they took as to the alignment of the proposed railway, they both of them expressed a preference for the original idea of a line starting from Baku, as they considered that the line suggested by M. Nératof would be more difficult to construct. They also were strongly in favour of carrying the line from Tehran to Yezd via Kashan without passing by Ispahan, so as to leave a mountain range between it and that town, which is, in their opinion, within too easy reach of the Bagdad Railway. They both of them share M. Nératof's view that Germany will, sooner or later, attempt to procure an extension of that railway through the neutral zone, and consider that the surest way of rendering the realisation of such a project

impossible, and of striking a death-blow at the Tehran-Khanikin line, is to commence the construction of the trans-Persian Railway with the least possible delay.

I have, &c.

GEORGE W. BUCHANAN.

[18976]

No. 81.

Sir Edward Grey to Sir G. Barclay.

(No. 166.)

(Telegraphic.) P.

RAILWAYS in Persia.

I approve language held by you to Persian Minister for Foreign Affairs as well as to Osborne (see your telegram No. 179 of the 18th March).

For the present we must let matters take their course.

You will have to stand aside, in order to avoid conflicting with undertaking to Persian Transport Company. As far as I understand it, the chances of a British group obtaining the concession will not be prejudiced by the non-intervention of His Majesty's Legation.

Foreign Office, May 23, 1911.

[18299]

No. 82.

Sir Edward Grey to Sir G. Buchanan.

(No. 195.)

(Telegraphic.) P.

Foreign Office, May 23, 1911.

IN discussing the Russo-German negotiations with Count Benckendorff to-day, I explained to his Excellency that it was originally understood that although Great Britain, France, and Russia were negotiating separately until all the three parties were satisfied, no final arrangement was to be concluded in regard to the Bagdad Railway. It had been contended by M. Sazonow that the arrangement concluded at Potsdam did not constitute a breach of this understanding on the grounds that the railway beyond Bagdad was not included in that arrangement. His Majesty's Government were much disappointed at the idea that this point should be allowed to disappear on which the Russian Minister for Foreign Affairs had laid so much stress.

I told Count Benckendorff that in my opinion the essential point was that Russia should not enter into any obligation to give her consent to the proposed increase in the Turkish customs duties, and if this were made absolutely clear and in such a way as to leave no possible room for dispute I should not insist upon the definition of the railway to a point which might lead to the rupture of the negotiations between the Russian and German Governments.

On this point, however, there should be no ambiguity between Germany and Russia, for if Germany were in a position to contend that Russia had deprived herself by the Potsdam agreement of the right to object to the increase in the Turkish customs, it would be fatal to the future co-operation of France, Russia, and Great Britain in this question.

[20050]

No. 83.

Sir Edward Grey to Sir F. Bertie.

(No. 178.)

Sir,

Foreign Office, May 23, 1911.

IN telling M. Cambon to-day that there had been no conversation with the German Emperor on questions of foreign politics, I informed him of the substance of my conversation on the 18th instant with Count Metternich on the subjects of Morocco and the Bagdad Railway.

I am, &c.

E. GREY.

[19342]

No. 80*.

Sir Edward Grey to Sir G. Lowther.

(No. 168.)

(Telegraphic.) P.

Foreign Office, May 23, 1911.

FOUR per cent. customs increase.

See my telegram No. 114 of the 16th instant to Paris.

The engagement with the French Government has been in force for some time; it is reciprocal in character.

If French Government were to agree to customs increase without us it would be most inconvenient, and they would be able to make separate terms more easily than we should.

[1501]

2 B*

[19558]

No. 80 A.

Admiralty to Foreign Office.—(Received May 22.)

Sir,

Admiralty, May 20, 1911.

WITH reference to your letter of the 29th ultimo, relative to the telegram of the 27th April from the Viceroy of India to the Secretary of State on the subject of the lighting and buoyage of the Persian Gulf, I am commanded by my Lords Commissioners of the Admiralty to request that you will inform Sir Edward Grey that they concur in the recommendation that the lighthouse at Musandam should be constructed simultaneously with the others.

As regards the Viceroy's suggestion in the immediately following sentence (viz.: "With reference to admiral's proposal to place a light-vessel at Shat-el-Arab bar, I consider it is better first to wait and see if Turkish light-ship is properly placed and maintained in perfect order"), I am to observe that in paragraph 6 of his letter to the Government of India (Marine Department) dated the 25th February the commander-in-chief, East Indies, proposed that a light-vessel should be placed about 4 miles to seaward of the outer bar buoy, which latter is apparently to be replaced by an acetylene gas buoy.

The Turkish light-vessel mentioned by the Viceroy has, however, according to the latest information, been placed close to the outer bar buoy, and doubtless could, if properly maintained, take the place of the proposed gas buoy, but it could in no way be considered as answering the purposes of a light-vessel in the position proposed by the commander-in-chief.

I am to add that their Lordships note from the telegram sent to the Viceroy on the 10th instant that the Secretary of State for India has approved the proposals of the Government of India.

I am, &c.

W. GRAHAM GREENE.

[19548]

No. 80 B.

Papers communicated by India Office May 22, 1911.

(1.)

Rear-Admiral Sir E. Slade to India Office.

(Confidential.)

*Commander-in-Chief's Office, Bombay,
March 24, 1911.*

Sir,

WITH reference to recent telegrams from His Majesty's consul at Bussorah regarding the bar of the Shatt-el-Arab, be pleased to acquaint his Excellency the Viceroy and Governor-General of India in Council that the situation is becoming an impossible one. The Turks are placing five buoys in the Shatt-el-Arab and we are placing five buoys there, including an acetylene-gas buoy. The Turks also apparently intend to provide a light vessel of some kind and to place pilots at the bar. The only survey made is that which we are now carrying out, and, since the banks and shoals are constantly shifting, it is probable that the lights and buoys, if left in the hands of the Turks, will soon become a danger rather than a help to navigation. Since we have not kept the buoys on the bar efficient, the Turks are undoubtedly within their rights in undertaking the work; but the danger lies in the fact that if we allow them unrestricted control over the entrance to the river, we may find obstructions placed in the way of free communication with Mohammerah.

2. It is also probable that when the buoys have been placed and the light is working extra dues will be demanded at Bussorah to cover the expenditure involved, and the burden will fall almost entirely upon British trade. If the money so raised were all to be expended on the river and steps taken to improve the navigation, there might be some excuse for it; but it is highly improbable that anything of the kind would be done, and any money raised would inevitable be misappropriated in the same way as most other funds in Turkey when they are not under foreign control.

3. It is not unlikely that in the near future Mohammerah will supplant Bushire as the principal port of Northern Persia, and, in view of this possible development

[1501]

2 B°

and of the great importance to us of the Anglo-Persian Oil Company's undertaking, it is urgently necessary to come to some agreement with Turkey on the subject.

4. The only solution would appear to be the formation of an international commission, on which Turkey, Persia, and Great Britain would be represented. This commission would be in charge of the conservancy of the river as far as the outer river marks. It would provide for the upkeep of the lights and buoys and the periodical resurvey of the river, and should also supervise and control the pilots, if any such should eventually be placed on the river. The control of the commission should be British, and the funds collected from the shipping dues should be inalienable, otherwise the Vali of Bussorah will inevitably find excuses for laying hands upon them.

5. It may be assumed that the number of vessels that visit Bussorah represents fairly accurately the number that enter and use the river, except, perhaps, in the case of sailing-vessels. Practically all steamers that go to Mohammerah also proceed to Bussorah, and we may therefore take the list given in the trade report of Bussorah for the year 1909 as substantially correct as regards that year.

6. The amount of shipping therein stated to have visited Bussorah is as follows:—

Nationality.	Sailing.		Steam.		Total.	
	Vessels.	Tonnage.	Vessels.	Tonnage.	Vessels.	Tons.
British.. ..	30	3,658	156	173,919	186	177,577
French.. ..	7	707	..	..	7	707
German.. ..	..	..	8	14,027	8	14,027
Russian.. ..	..	..	4	8,124	4	8,124
Danish.. ..	..	..	1	1,098	1	1,098
Arab and Turkish	209	6,627	10	6,101	219	12,728
Persian.. ..	86	3,862	..	..	86	3,862
Norwegian.. ..	..	..	1	2,003	1	2,003
Zanzibar.. ..	38	4,213	..	..	38	4,213
Total	370	19,067	180	205,272	550	224,339

7. From this it will be seen that of the sailing-vessels 8 per cent. were British owned, and of the steam-vessels 87 per cent., showing the enormous stake that Great Britain has in the trade of the Shatt-el-Arab. If a small due were levied on the steamers using the river—say, 8 annas a-ton—the return would amount in round figures to 1,03,000 rupees per annum. This should be ample to provide for the upkeep of the buoys, the periodical resurvey of the river, and the payment of officials connected with the conservancy commission; also, as the trade increases, money should be available for improvements to be carried out on the bar and in the river.

8. It may prove necessary to admit German and Russian representatives on the conservancy, but I am strongly of opinion that this would be a lesser evil than to allow the Turks to have the uncontrolled management of the waterway.

9. I may mention in this connection that in the Danube vessels over 1,500 tons pay 1.50 fr. a-ton to enter the port of Sulina, and 1.50 fr. a-ton to ascend the river. When the Danube Commission was started in the middle of the last century there was a maximum of 12 feet on the bar, while at the present moment there is 24 feet.

I have, &c.

E. J. W. SLADE.

(2.)

Government of India to Lieutenant-Colonel Cox.

(Telegraphic.) P.

Simla, April 16, 1911.

PROPOSED formation of international commission for conservancy for Shatt-el-Arab.

Please ask admiral to let you see his letter of the 24th March to Marine department, and furnish your views by telegraph.

(3.)

Lieutenant-Colonel Cox to Government of India.

(Telegraphic.) P.

Bushire, April 25, 1911.

PLEASE refer to your telegram dated the 16th instant.

AN international commission on the lines of Danube Commission might be the best means of safeguarding our interests in the face of a Turco-German combination against us, if the Turks were in a position to make good, *vis-a-vis* Persia, her claim to undivided control over navigation of river and bar; but these conditions are non-existent at present, and we should direct all our efforts to ensuring that they do not supervene. I trust that it has not yet been decided to accept as a certainty that Turkey has by her action effectually ousted us from our privileged position in regard to navigation of bar: a position in respect of which it was declared by Lord Lansdowne on the 5th May, 1903, that "this country in regard to navigation of Gulf is in a position different from that of any other Power." It is commonly known that we have undertaken at our own cost for generations the duty of charting, surveying, and buoying the bar and the issue of sailing directions and notices to mariners in regard thereto.

Neither riparian Power has ever taken the slightest interest or shared the cost of the above measures, nor has the bar ever figured in any treaty between Persia and Turkey.

In view of these considerations and of the fact that British vessels account for 85 per cent. of the shipping using the river, we seem to be in a strong position to declare that Turkey and Persia, having hitherto saddled us with the whole burden, we are not prepared to tolerate the sudden and discourteous subversion of the *status quo* by the Turks now.

It seems to me probable that if the above attitude is adopted by us now, and simultaneously we show a resolute front in connection with other Anglo-Turkish issues in the Gulf, our position on the bar may yet be recoverable to such an extent as to make it unnecessary to contemplate or suggest a fully international commission.

I would suggest for consideration that we might threaten to upset *status quo* at Koweit or Albida failing return by the Porte to the *status quo* on the bar; or we might use question of sovereignty over Katar as material for a bargain with them over the bar.

Should it be decided, however, that our ejection from our privileged position is fair, and that we cannot recover it, then it becomes of vital importance that we should obtain a footing in the control over the navigation of the bar through the instrumentality of the Persian Government, and no time should be lost in advising Persia to lodge a protest against Turkey's recent independent action and to assert her claim to share control, &c. It is a question for separate discussion whether we should deal with Persian Government direct or through Sheikh of Mohammerah as riparian owner of left bank. If we could get Persia to delegate authority to us to take the necessary action on her behalf in regard to aids to navigation on the bar, and in the Shatt-el-Arab within her limits, it would considerably strengthen our position for negotiation with Turkey.

Though we may be obliged, on the lines above indicated, to recognise claims of Turkey and Persia, we should have a good chance of bringing about an arrangement by which they would jointly leave to us the management of navigation. I hope in any case we shall resist to the utmost any attempt at intervention on the part of Germany, and that proposal for an international commission shall be considered as a last resort, to be adopted only after the fullest examination. We have at present no more tangible sign of Germany's connection with recent Turkish action than the verbal allusion to German complaint quoted by the commander of the "Marmariss" (see my telegram of the 22nd February).

In so far as question of construction of last section of the Bagdad Railway and the selection of ports may be considered to hinge on question of bar I invite attention to letter from Admiral to Marine Department, dated the 22nd instant, from which it will be seen that the present survey has proved that there is a greater depth of water on the bar than had been supposed hitherto.

(4.)

Lieutenant-Colonel Cox to Government of India.

(Confidential.)

Sir,

Bushire, April 23, 1911.

In continuation of my letter dated the 18th March, 1911, I have the honour to forward herewith, for the information of the Government of India, a copy of a letter dated the 5th April, 1911, and enclosure, which I have received from His Majesty's consul, Bussorah, giving cover to a letter from the Vali of Bussorah, giving the details and bearings of buoys and other marks placed by Turks at the Fao bar.

No action beyond this report has been taken on the information supplied by the Turkish authorities.

I have, &c.

P. Z. COX, *Lieutenant-Colonel, British Resident in the Persian Gulf, and His Majesty's Consul-General for Fars, &c.*

(5.)

Consul Crow to Lieutenant-Colonel Cox.

Sir,

Bussorah, April 5, 1911.

I have the honour to transmit translation of a letter from the Vali of Bussorah informing me of the details and bearings of buoys and other marks at the Fao bar.

(Copy sent to Foreign Office; embassy, Constantinople; Board of Trade; admiral, East Indies; British resident, Bushire; senior naval officer, Persian Gulf; commander, His Majesty's ship "Odin"; and His Majesty's consul, Mohammerah.)

I have, &c.

F. E. CROW.

(6.)

Vali of Bussorah to Consul Crow.

(Translation.)

March 19 (April 1), 1911.

I have the honour to transmit a memorandum from the commodore showing details and position of five buoys and other marks placed at the Fao bar.

True bearings of No. 1 buoy from Fao (might?) s. 65° E.: latitude 29° 55' 45" north, longitude 48° 36' 35" east.

True bearings of No. 2 buoy from No. 1 s. 49° E.: latitude 29° 54' 45" north, longitude 48° 37' 40" east.

True bearings of No. 3 buoy from No. 2 s. 42° E.: latitude 29° 53' 18" north, longitude 48° 39' 35" east.

True bearings of No. 4 buoy from No. 2 [sic] s. 48° E.: latitude 29° 52' 19" north, longitude 48° 40' 45" east.

Position of 5th buoy: latitude 29° 50' 16" north, longitude 48° 42' 55" east.

Position of dhow in place of light barge: latitude 29° 49' 0" north, longitude 48° 44' 31" east.

Height of flag on top of mast of dhow, 35 feet.

Height of black ball (2 feet in diameter) on dhow by day, 22 feet.

Height of light hoisted there at night (visible 3 miles), 22 feet.

I have, &c.

DJELAL.

[15143]

No. 84.

Note communicated to Mr. Huth-Jackson.

(Confidential.)

ON the 10th May Sir Edward Grey addressed to Sir G. Buchanan a despatch informing him of the terms on which His Majesty's Government are prepared to agree in principle to the initiation of negotiations between the promoters of the proposed trans-Persian Railway in this country and in Russia.

These terms include (1) a modification of the alignment for the railway originally suggested by the Russian group interested; (2) provision for a break of gauge at the point where the railway will enter the British sphere of influence in Persia; (3) an understanding on the part of the Russian Government that they will not, without a previous understanding with His Majesty's Government, entertain or support any proposal for a line in the neighbourhood of the Perso-Afghan frontier within the Russian or neutral sphere in Persia; (4) the support of Russia to demands to be made by Great Britain of the Persian Government for certain branch lines to be connected with the proposed railway in the British and neutral spheres; (5) the internationalisation of the main line and of the branches in the neutral sphere and the retention by Great Britain of the control of those in the British sphere; and (6) equality of treatment for British and British Indian trade passing over the line and its branches.

Sir G. Buchanan was authorised to inform the Russian Government of these conditions and to convey their general sense to the Russian promoters of the scheme, making it, however, clear to both that His Majesty's Government express no opinion as to the financial or commercial aspects of the question, which are matters to be examined by the syndicates who may desire to participate in the enterprise.

A. NICOLSON.

Foreign Office, May 23, 1911.

[17592]

No. 85.

Foreign Office to India Office.

Sir,

Foreign Office, May 23, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 9th instant, relative to the effect which the formal proclamation of a British protectorate over Bahrein might be expected to produce at the present juncture on the negotiations impending with Turkey on the subject of the Bagdad Railway and on British relations with Persia.

The reasons for which Sir E. Grey would deprecate the modification of the *status quo* which this step would involve are set forth in the letter of the 4th instant from this Office, and I am to point out that the recognition by the Turkish Government of the right of His Majesty's Government to protect Bahrein in the Ottoman Empire forms, as Viscount Morley is aware, one of the conditions on which it is proposed to insist in return for British participation in the construction of the maritime section of the Bagdad Railway.

This last consideration offers, in Sir E. Grey's opinion, a further motive for abstaining at this moment from a modification of the *status quo* which could not fail to re-act unfavourably on the negotiations in progress and he would accordingly prefer to postpone, till he has received the reply of the Turkish Government to Sir G. Lowther's demands, the decision as to what the next step in the matter should be (assuming, for the moment that the nature of that reply will be, as Lord Morley anticipates, such as to necessitate action of some kind).

In the meanwhile Sir G. Lowther will be instructed, in accordance with your suggestion, to press the Turkish Government for their answer.

Sir E. Grey does not share the view expressed in your letter that the question of the enforcement of the right of His Majesty's Government to protect Bahrein in Turkey is one which should be regarded from the point of view of its effect on British relations with Germany rather than with Turkey, because he is unable to perceive what justification the former Power could allege for interesting itself in a matter which does not appear to concern it at all and it would further, in his opinion, be injudicious to admit in any way the validity of such a claim.

Sir E. Grey notes Lord Morley's opinion that the only prospect of a satisfactory solution of the Bagdad Railway question lies in a preliminary agreement with Germany.

As regards this point I am to observe that His Majesty's Government are not at present discussing the Bagdad Railway with Germany, but have before them certain proposals from the Turkish Government in regard to the Gulf section. It is clear that it is necessary to deal with the Turkish proposals in the first instance before initiating any discussions with Germany; otherwise there would be two sets of negotiations proceeding concurrently which would probably lead to confusion. Sir E. Grey considers that as soon as His Majesty's Government are in a position definitely to formulate to the Turkish Government their requirements in connection with their participation in the last section of the Bagdad Railway, it would be well to inform the German Government that these requirements must be met before any agreement can be reached on the subject and to express to them the hope that they will use their influence at Constantinople to secure a satisfactory reply to these demands.

I am, &c.

LOUIS MALLET.

[19879]

No. 86.

Admiralty to Foreign Office.—(Received May 24.)

Sir, *Admiralty, May 23, 1911.*
I AM commanded by my Lords Commissioners of the Admiralty to transmit herewith, for the information of the Secretary of State for Foreign Affairs, copy of a letter, dated the 26th April, which has been addressed by the commander-in-chief, East Indies, to the Government of India on the subject of the conservancy of the Shatt-al-Arab.

A copy has also been sent to the India Office.

I am, &c.

C. I. THOMAS.

Enclosure in No. 86.

Rear-Admiral Sir E. Slade to Government of India.

Sir, *His Majesty's ship "Highflyer," at Serik, April 26, 1911.*
WITH regard to my letter of the 24th March, 1911, relative to the control of the Shatt-al-Arab, in paragraph 9 of which reference is made to the charges for vessels in the River Danube, be pleased to lay the following remarks before his Excellency the Viceroy and Governor-General of India in Council:—

2. Merchant-vessels of over 1,500 tons pay 1 fr. 30 c. a ton at Sulina, and not 1 fr. 50 c. as stated in my letter quoted, and 1 fr. 70 c. up-river.

3. The full tariff for merchant-vessels arriving in the Danube is as follows:—

				Sulina.	Up-river.
				Fr. c.	Fr. c.
From 201 to 600 tons	..	..	..	0 30	0 55
" 601 to 1,000 tons	..	..	..	0 60	1 10
" 1,001 to 1,500 tons	..	..	..	0 90	1 40
Over 1,500 tons	..	..	..	1 10	1 70

For all vessels loading or unloading at Sulina without proceeding up-river there is a special supplementary tax of 20 centimes per ton register.

I have, &c.

EDMOND J. W. SLADE, *Rear-Admiral.*

[19978]

No. 87.

Sir G. Buchanan to Sir Edward Grey.—(Received May 24.)

(No. 115.)

(Telegraphic.) P.

RUSSO-GERMAN negotiations.

St. Petersburg, May 24, 1911.

(Secret.)

Please see your telegram No. 195 of yesterday.

As Russian Ambassador in London had not yet reported your conversation with him, I repeated to Acting Minister for Foreign Affairs to-day what you had said to his Excellency.

While not committing himself one way or the other, M. Nératof admitted the strength of your arguments in favour of the retention of the term—Konieh-Bagdad Railway. As regards the 4 per cent. customs increase, his Excellency assured me that you need be under no apprehension on the subject. Full liberty of action on this point has been reserved by the Russian Government, and the first article of the agreement states that no pecuniary or economic sacrifice is to be required of Russia. This was inserted to make this point quite clear.

[19982]

No. 88.

Sir G. Barclay to Sir Edward Grey.—(Received May 24.)

(No. 185.)

(Telegraphic.) P.

RAILWAYS.

Tehran, May 24, 1911.

M. Poklewski has been asked by Colonel Beddoes whether his Government would raise objections to an application on behalf of Messrs. Seligman for an option for a railway from Mohammerah to Julfa for a term of two or three years.

During this period Seligman would endeavour to form a syndicate in which Great Britain, France, and Russia would be interested, or any other form of syndicate which the two Powers might consider desirable.

Colonel Beddoes states that his firm would undertake to abide by the wishes of the two Governments with regard to the conditions of construction and exploitation of the line.

M. Poklewski is reporting above to St. Petersburg.

[19978]

No. 89.

Sir Edward Grey to Sir G. Buchanan.

(No. 206.)

(Telegraphic.) P.

RUSSO-GERMAN draft agreement.

Foreign Office, May 25, 1911.

Please refer to your telegram No. 115 of the 24th May.

The important point is that the part of the first article referred to should be understood by Germany in the sense intended by Russia.

[18529]

No. 90.

Sir Edward Grey to Sir F. Bertie.

(No. 176.)

Sir,

Foreign Office, May 25, 1911.

I HAVE received your Excellency's despatch No. 214 of the 14th instant, reporting a conversation with the French Minister for Foreign Affairs, in which he expressed his apprehension at the state of affairs in Turkey and the growing influence of Germany at the Sublime Porte, and his conviction that the latter tendency can be combated only by an understanding between Great Britain and France for joint action in Turkish affairs.

[1501]

I approve the language held by your Excellency to M. Cruppi on this occasion. Your Excellency should take an opportunity of informing M. Cruppi that His Majesty's Government share his wish for a financial and general understanding between the two Powers respecting Turkish affairs, and you should invite him to formulate more precisely the lines on which he would propose that such an agreement should be based.

I am, &c.
E. GREY.

[18570] No. 91.

Sir Edward Grey to Sir G. Louther.

(No. 142.)

Sir,

Foreign Office, May 25, 1911.

I HAVE received and read with interest your Excellency's despatch No. 328 of the 12th instant, making certain observations on the conclusions reached by His Majesty's Secretary of State for India on the question of the participation of His Majesty's Government in the construction of the proposed railway from Bagdad to the Persian Gulf.

I have to inform your Excellency, in reply, that the letter in which these conclusions are set forth was drafted before this question had been considered by the inter-departmental committee recently appointed for the purpose, whom, as you are aware, expressed views differing from those held at the India Office, and agreeing in many respects with those put forward in your despatch.

It was, however, thought desirable that the letter should be sent for purposes of record.

I am, &c.
E. GREY.

[20232] No. 92.

Enclosure in India Office Letter.—(Received May 26.)

Viscount Morley to Government of India.

(Telegraphic.) P.

India Office, May 19, 1911.

KOWEIT. Please refer to your telegram dated the 6th May.

Proposed instructions are approved.

It should be made very plain by Sheikh that he is not within jurisdiction of Bussorah. It is not possible to make stipulations which Resident, Persian Gulf, proposes, but Sheikh might reply, if further move is made in the matter by German consul at Bussorah, that he regards himself as within sphere of consul at Bushire in matters requiring consular intervention.

[20948] No. 93.

Sir Edward Grey to Sir F. Bertie.

(No. 188.)

Sir,

Foreign Office, May 29, 1911.

I TOLD M. Cambon to-day that I had impressed upon the Russian Government through Sir George Buchanan how essential it was that Russian liberty of action should be maintained in connection with the increase of Turkish customs dues, and that there should be no misunderstanding on the part of Germany of what Russia intended when the agreement begun at Potsdam was concluded.

M. Cambon agreed that this was an essential point, and that if Russia yielded on this all co-operation between the three Powers was at an end.

I am, &c.
E. GREY.

[20367]

No. 92°.

Sir G. Louther to Sir Edward Grey.—(Received May 29.)

(No. 359.)

Sir,

Constantinople, May 24, 1911.

I HAVE the honour to forward herewith summary of an article which appeared in the "Tanzimat" of the 18th May, dealing with the Bagdad Railway.

This article is from the pen of Lutfi Fikri, who, I would point out, is one of the leaders of the original Opposition.

I have, &c.
GERARD LOWTHER.

Enclosure in No. 92°.

Précis of Newspaper Article.

THIS morning's "Tanzimat" has an article by Lutfi Fikri Bey on the Bagdad Railway. The writer pooh-poohs the idea that the series of our agreements recently concluded with the company constitute a triumph for Hakki Pasha's Government. The first three were quite clearly favourable to the Germans. As for the fourth, which constituted the alleged triumph, inasmuch as the Germans waived a right which stood in the way of the 4 per cent. customs increase, and which was supposed to be calculated to conciliate England and France, it has unfortunately pleased nobody. Proceeding to more detailed criticism, the writer in the first place complains that the Government had no right to conclude these agreements without recourse to Parliament. True, there is officially no guarantee in the case of the Osmanie-Alexandretta line. But the convention for the Helif-Bagdad line is a new and independent one, and as it imposes financial obligations on the State it ought to have been submitted to Parliament. The Alexandretta Harbour convention, too, gives the company the right of imposing what amounts to compulsory taxation on the public, which will have to use the company's quays whether it likes them or not; and such taxation requires to be sustained by law. Had these ill-considered agreements been submitted to Parliament, they would have been amended in many particulars. It must not be forgotten that the Osmanie-Alexandretta concession was Turkey's trump card. The Germans being without an outlet on the Mediterranean, the Government might have secured in return for this concession many amendments in the old Hamidian agreements concerning the main line, e.g., as regards the system of guarantees, which as at present arranged is an incentive to extravagance and gives no encouragement to activity on the part of the company. Even the advantage of having no guarantee to pay on the Alexandretta line is illusory, for the company in its desire to make that line pay will be tempted to charge cheap rates on the other guaranteed lines, and the Government will have no defence. Article 11, dealing with joint tariffs, is not obligatory, and no advantage can be expected of it.

Another blot on the agreement is Hakki Pasha's entire failure to take cognisance of the alleged undertaking given by Germany at Potsdam not to build any line between the main Bagdad line and the Persian frontier. The Government might have used the Osmanie-Alexandretta concession to make Germany waive her right of preference over all concessions for lines emerging on the sea between Mersina and Tripoli. Had it done so the alleged undertaking given by Germany would have lost its importance, because the Government would have been left in a position to grant concessions for the lines which Germany undertook not to build to any other company, starting its line from the Mediterranean seaboard.

Lastly, even the great object of conciliating the English has not been achieved after all! The English are not satisfied with their share in the proposed Bagdad-Bussorah line. Had the Government first ascertained England's conditions, it need not have thrown away uselessly what it has newly given to the Germans. If the English do not accept the proposal made to them it will end, as the inspired "North German Gazette" says, in Germany's constructing the line after all. So the upshot of the whole matter is that nothing is changed and Germany has got two new concessions into the bargain. Such is the Government's triumph! One cannot help recalling Gia Pasha's couplet:—

"Alas, in this game we've again lost the toss!
I see nought that we've gained in the midst of our loss!"

May 18, 1911.

[1501]

2 C°

[19608]

No. 94.

Foreign Office to Lord Grimthorpe.

Dear Lord Grimthorpe,

Foreign Office, May 29, 1911.

I BEG to acknowledge the receipt of your letter of the 12th May, explaining the situation with regard the negotiations between the Russian Government and a British group, carried on through Mr. Williams, with a view to railway construction in Northern Persia.

Sir Edward Grey is much obliged to you for your full statement respecting the progress of the affair.

Yours sincerely,
LOUIS MALLET.

[20745]

No. 95.

Sir F. Bertie to Sir Edward Grey.—(Received May 30.)

(No. 236.)

Paris, May 28, 1911.

Sir,

I HAD the honour to receive, on the evening of the 26th instant, your despatch No. 176 of the previous day, and I had an interview with the Minister for Foreign Affairs yesterday. I reminded his Excellency of the conversation which I had had with him on the 13th instant, as reported to you in my despatch No. 214 of the following day. I told him that you had approved the language which I had held to him on that occasion, and that you had instructed me to inform his Excellency that His Majesty's Government share his wish for a financial and general understanding between England and France respecting Turkish affairs, and you had directed me to ask him to formulate more precisely than he had done the lines on which he would propose that such an agreement should be based.

M. Cruppi took note of your suggestion, on which he said that he would act, and he requested me to express to you the satisfaction with which he had received your message and his great desire to arrive at an understanding with His Majesty's Government for joint action in questions regarding Turkey.

I have, &c.
FRANCIS BERTIE.

[20894]

No. 96.

Admiralty to Foreign Office.—(Received May 30.)

(Confidential.)

Admiralty, May 29, 1911.

Sir,

I AM commanded by my Lords Commissioners of the Admiralty to transmit herewith, for the information of the Secretary of State for Foreign Affairs, a copy of a letter, dated the 11th instant, which has been received from the Commander-in-chief, East Indies, respecting buoys and lights in the Shatt-el-Arab.

A copy has been sent to the India Office.

I am, &c.
C. I. THOMAS.

Enclosure in No. 96.

Rear-Admiral Sir E. Slade to Admiralty.

(Confidential.)

Commander-in-chief's Office, Bombay,

Sir,

May 11, 1911.

WITH reference to Admiralty telegram of the 8th instant relative to the buoys and lights in the Shatt-el-Arab River, be pleased to lay the following remarks before the Lords Commissioners of the Admiralty:—

2. None of the buoys laid by the Turks are a danger or impediment to navigation.
3. With regard to the question of the sufficiency of the British buoys in themselves for the purposes of navigation, I would observe that the British buoy which marked

the inner bar, and which was missing, has not been replaced by another British buoy, and the Turks have now placed one in the position which it ought to occupy. I may mention that the committee on the lighting and buoyage of the Persian Gulf, which reported in May 1909, recommended the provision of an acetylene gas buoy as inner bar buoy, to be similar to that marking the outer bar. If an acetylene inner bar buoy be placed the British buoys will be sufficient, and the lighting of the bar will be satisfactory for the purposes of navigation.

4. At present the inner bar is hardly sufficiently marked at night, and navigation is difficult. It is not impossible, however, to go in and out during the dark hours, as many ships do so.

5. With regard to the approaches to the bar, it was recommended that a lightship should be moored 4 or 5 miles to seaward of the gas outer bar buoy. Although not absolutely necessary, this would greatly facilitate making the bar in the thick weather, which is not uncommon in those parts in the winter.

6. A copy of this letter has been sent to the Government of India.

I have, &c.

EDMOND J. W. SLADE.

[20872]

No. 97.

30

Enclosures in India Office Letter.—(Received at Foreign Office, May 4, 1911.)

(1.)

Lieutenant-Colonel Cox to Government of India.

(Confidential.)

IN amplification of my telegram No. 369 of the 24th instant, I have the honour to submit for the information of the Government of India, copies of the communications which have passed between the Sheikh of Koweit and myself on the subject of the protection of Kathama from possible aggression by a foreign Power.

Bushire, April 24, 1911.

(2.)

Sheikh Mubarek-es-Subah to Lieutenant-Colonel Cox.

I BEG to inform your Honour that whereas the Island of Bubiyan and Um Kasr and Safwan are included in the territorial limits of my town of Koweit, and some years ago the Sublime Porte finding them empty, placed military posts in those places and experienced no objection from the British Government by way of protection to me; so now, having regard to the negotiations proceeding among the Powers on the subject of the terminus of the Bagdad Railway, I fear for Kathama, which is within my boundaries and which is now the subject of discussion between the great Powers; and I therefore represent to your Honour that being shorn of my security from this cause and before the worst happens, I ask from you three requests, and ask you to accept one of them.

Either lease Kathama from me and you protect it and its neighbourhood, or let me lease it, or give me a written undertaking from the British Government to protect it and its vicinity from aggression by foreign Powers, the Turkish Government being included among them. These are the requests which I have presented to you. I want an answer quickly before the occurrence of anything untoward, such as I fear. I beg for the continuance of your regard, and may you remain safe.

Rabi II 23, 1329.

(3.)

Lieutenant-Colonel Cox to Sheikh Mubarek-es-Subah.

(Confidential.)

YOUR esteemed letter dated the 23rd Rabi II, 1329, was duly handed to me before leaving Koweit.

I have the honour to confirm the reply which I gave you verbally, namely, that

Kathama is already covered by the assurances which you have received from the British Government, and that there is no cause for the apprehension which you expressed.

Firstly, let me refer you to Colonel Kemball's letter of the 6th December, 1901, which was delivered to your Excellency by our friend Captain Simons, and again to the communication made to you by the first assistant on the 3rd December, 1902, in reply to your letter of 21st Jemadi I, 1320, in which you had asked to be supplied with two or three guns which you desired to place at Jahara, in order to protect Koweit against attack from the land side.

You were then informed that the British Government did not see their way to supply you with guns, but that His Majesty's Government undertook, so long as you observed your engagements to them, that they would charge themselves with the defence of "Koweit districts," and that by "Koweit districts" was meant the districts adjoining or close to the Bay of Koweit.

You should have no doubt at all that Kathama is included in that assurance. In these days the newspapers publish all sorts of falsified reports, and each clothes them in the garb which best suits its ends, but you must not let these reports make you apprehensive, any more than you have done in the past. As soon as there is any reliable news, inshalla, it will reach me, and I will not fail to keep you informed. And if there is anything which you do not understand, show it to Captain Shakespear, and ask him the meaning or portent of it.

May your prosperity and happiness always increase.

Bushire, April 23, 1911.

[21081]

No. 98.

Sir A. Wilson to Sir Edward Grey.—(Received May 31.)

Dear Sir Edward,

Admiralty, May 30, 1911.

AS the meeting of the Persian Gulf Sub-Committee has been postponed, I am sending you a draft of a proposed note to the Turkish Government about the control of the Shat-el-Arab for your consideration in connection with Admiral Slade's report of the 22nd April.

I am inclined to think that this question might advantageously be taken up with the Turks in a friendly manner quite independently of the question of the Bagdad Railway, but it is a matter entirely for your judgment whether you would like it to be brought before the committee or not.

Believe me, &c.

A. K. WILSON.

Enclosure in No. 98.

Proposed Note to Turkish Government on the Navigation of the Shat-el-Arab.

UP to the present the whole cost of surveying the approaches to the Shat-el-Arab has been borne by the British Government, which has made surveys at intervals since 1827, complete surveys having been made in 1827 and 1890, and a number of partial surveys in the intervening years.

The buoys were also placed and maintained by the British India Steam Navigation Company.

At the beginning of this year, 1911, complaints having been made that some of the buoys were out of position, the Turkish Government sent a man-of-war to place new buoys and a dhow to act as a light-vessel, and at about the same time the British Government ordered a new survey to be made by the Indian Marine and one of His Majesty's ships, and the buoys to be replaced in position.

The channel is now properly marked, but the result of buoys and light-vessels being laid by the officers of two nations acting independently must necessarily tend to create confusion and add to the dangers of navigation. Some international agreement as to the control of the river is therefore very desirable.

The nations principally concerned in the navigation of the Shat-el-Arab are

[1501]

2 D

Turkey and Persia, whose territories adjoin the river, and Great Britain, who is the owner of about 85 per cent. of the vessels trading in the river, and who has also special interests in the Persian Gulf.

It is probable that when the Bagdad Railway is commenced the trade passing through the river will be largely increased, and the Turkish Government will no doubt agree with His Majesty's Government that the time has come when the responsibility for the maintenance of the buoys, making periodical surveys of the river, and any works necessary for the improvement of the channel should be regularly defined.

The recent survey made by the Indian Marine, as mentioned above, has shown considerable alterations in the depth of water since the last survey, and it is reported that there is now a channel with a minimum depth of 13 feet at low water spring tides. This shows the necessity for making frequent surveys, and also makes it probable that, as soon as the amount of trade in the river has increased sufficiently to justify the cost, works of some kind may be desirable to make the improvement in the depth of water permanent.

The cost of making the surveys, maintaining the buoys and light-vessels, and any necessary works would, in accordance with the usual custom, be most properly defrayed by a small tax on a scale to be agreed upon levied on all vessels using the river on their arrival at either Turkish or Persian ports.

His Majesty's Government would therefore propose that, as a preliminary, a joint commission should be appointed consisting of representatives of Turkey, Persia, and Great Britain, with an engineer of experience in works connected with the control of rivers, to examine and report on the steps necessary to improve the navigation of the river, to prepare estimates of the cost, and to make recommendations as to the composition of the board to be permanently established to control the navigation of the river and the amount of the tax to be levied.

[17870]

No. 99.

Foreign Office to Persian Transport Company.

(Confidential.)

Sir,

Foreign Office, May 31, 1911.

WITH further reference to your letter of the 10th instant, I am directed by Secretary Sir Edward Grey to inform you that the Persian Government have expressed a preference for direct negotiation with a British syndicate on the subject of railway construction in Persia generally, with special reference to a line from Khor Musa northwards.

I am accordingly to state that, in these circumstances, His Majesty's Government have decided to abstain from all intervention in the matter, and that it is open to British capitalists to approach the Persian Government with proposals of the nature in question.

I am, &c.

LOUIS MALLET.

[21244]

No. 100.

*Mr. Huth-Jackson to Sir A. Nicolson.—(Received June 1.)**Le Maison du Diable, Aix-les-Bains,
May 31, 1911.*

Dear Sir Arthur Nicolson,

YOUR letter of the 23rd instant, marked "Secret," has been forwarded to me here, and I am much obliged to you for the information you give me, which I will of course treat as most confidential.

I presume that it will not be thought discourteous by M. Timiriadzeff and his colleague that they do not get any acknowledgment or reply from me to the two letters they have addressed me, which letters are in your possession. They will, I take it, understand that the communication they will doubtless receive from the Russian Government, on the strength of the information given by Sir George Buchanan, is a reply to their letters to me.

I should prefer that this should be so, as I do not wish them to think that I, or my firm, are prepared to take an interest in the finance of this scheme. I think I have already told you that this would be entirely out of my line, though I am, of course, always at your disposal to investigate and give my opinion on any proposal that may be put forward, if you should wish me to do so.

Yours sincerely,

FRED HUTH-JACKSON.

[20894]

No. 101.

Foreign Office to India Office.

Sir,

Foreign Office, June 3, 1911.

I AM directed by Secretary Sir Edward Grey to inform you that he has received a letter from the Admiralty forwarding copy of a letter, dated the 11th ultimo, addressed to that department by the Commander-in-chief, East Indies, making certain suggestions respecting buoys and lights in the Shatt-el-Arab, which, it is stated, has also been communicated to the India Office.

I am to state that Sir Edward Grey would be glad to receive in due course an expression of the views of the Earl of Crewe on the proposals put forward by Rear-Admiral Slade.

I am, &c.

LOUIS MALLET.

[20894]

No. 102.

Foreign Office to Admiralty.

Sir,

Foreign Office, June 3, 1911.

I AM directed by Secretary Sir Edward Grey to acknowledge the receipt of your letter of the 29th ultimo relative to buoys and lights in the Shatt-el-Arab.

I am to state that Sir E. Grey would be glad to receive in due course an expression of the views of the Lords Commissioners of the Admiralty on the suggestions put forward by the Commander-in-chief, East Indies, in the letter copy of which was enclosed in your communication.

I am, &c.

LOUIS MALLET.

[21676]

No. 103.

Sir G. Louther to Sir Edward Grey.—(Received June 5.)

(No. 52. Commercial.)

(Telegraphic.) P.

Constantinople, June 5, 1911.

BUOYS in the Persian Gulf.

Referring to my despatch No. 134, Commercial, of the 29th ultimo, His Majesty's consul at Bussorah reports that ground exists for fearing that the Ottoman authorities are contemplating the removal from the bar of the British buoys.

[21726]

No. 104.

Sir G. Barclay to Sir Edward Grey.—(Received June 6.)

(No. 79.)

Sir,

Tehran, May 18, 1911.

WITH reference to my telegram No. 135 of the 24th April, I have the honour to transmit herein the full text of the note which the Persian Government addressed to me on the 22nd ultimo in reply to my note of the 31st March applying for an option for railway construction in Southern Persia (of which I had the honour to forward you a copy in my despatch No. 59 of the 20th ultimo).

I have, &c.

G. BARCLAY.

Enclosure in No. 104.

Mohtashem-es-Sultaneh to Sir G. Barclay.

(Translation.)

Your Excellency,

Tehran, 22nd Rebbi-ul-Sani, 1329 (April 22, 1911).

I HAVE had the honour to receive your Excellency's note of the 29th Rebbi-ul-Avvel (31st March, 1911).

I have the honour to say that of course the British Government will not lose sight of the definite wording of His Majesty Nasr-ed-Din Shah's autograph letter (as follows):—

"Permission will never be granted to anyone to construct any other than a purely commercial railway in Persia."

Although the benefits and advantages of railway construction are in no way concealed from the Persian Government, it is precisely from this point of view that the Persian Government considers itself excused from granting this option.

Having, however, earnestly in view the development of the commerce of the two countries, the Persian Government's wish is that it may be able to arrange for a railway in its own country which will safeguard its political and economic interests, and to study the question with regard to the construction of a commercial railway which would be in accord with the interests of the country.

It is hoped that the British Government, whose relations with and friendly feelings towards this Government have always been highly appreciated, will be in agreement with this legitimate aim of the Persian Government and will show their good-will.

I avail, &c.

MOHTASHEM-ES-SULTANEH.

[21691]

No. 105.

Sir G. Buchanan to Sir Edward Grey.—(Received June 6.)

(No. 159. Secret.)

Sir,

St. Petersburg, May 31, 1911.

IN a conversation which I had with the Acting Minister for Foreign Affairs on the 24th of this month, I enquired whether his Excellency had received a report of the conversation which you had had with the Russian Ambassador on the subject of the Russo-German negotiations, and, on his replying in the negative, I informed him of the language which you had held to Count Benckendorff, as reported in your telegram No. 195 of the 23rd instant.

M. Neratow did not attempt to dispute the justice of your contentions, and admitted the desirability of retaining the term "Konieh-Bagdad," provided that this could be done without bringing about a rupture of the negotiations. He was careful, however, not to commit himself either one way or the other, as he had not yet had an opportunity of discussing the question with the President of the Council. As regarded, however, the question of the 4 per cent. customs increase, he begged me to assure you that you need not be under the slightest apprehension. Russia had, he said, reserved to herself complete liberty of action on this point, and the language of the draft agreement made this perfectly clear. It was, indeed, for this very reason that words had been introduced into it to the effect that no pecuniary or economic sacrifice was to be required of Russia.

I returned to the subject in a conversation which I had with M. Neratow this afternoon after receiving your telegram No. 206 of the 25th instant. I reminded his Excellency that the term "Bagdad Railway," employed in the original draft agreement, had been interpreted in two diametrically opposite senses by the German and Russian Governments. It was therefore most important to prevent any similar misunderstanding arising in the future respecting Russia's position with regard to the question of the 4 per cent. customs increase. This might be done either by altering the words to which he had called my attention so as to make their meaning perfectly clear, or by obtaining some precise assurance from the German Government to show that they understood these words to convey the same meaning which the Russian Government attached to them.

M. Neratow replied by assuring me once more that the question of the 4 per cent. customs increase had never been raised in the course of the negotiations; that Russia was perfectly free to give or to refuse her consent to it; that Germany could never dispute her right to act as she pleased with regard to this question; that the meaning of the words in question was perfectly clear; and that their scope would be restricted were they to be made to refer expressly to the 4 per cent. customs increase.

His Excellency then observed that, while Russia was thus perfectly free to refuse the proposed increase in the customs, it would be difficult for her, were she ever to consent to it, to make her acceptance conditional on the non-application of the revenue to be derived from it to the Bagdad Railway. I said that I thought that, as we had a few years ago consented to an increase of 3 per cent. in the Turkish Customs on the condition that the proceeds should be devoted to Macedonia, we might, if we so wished it, make our consent to any further increase conditional on the proceeds not being used for the purpose of kilometric guarantees. His Excellency, however, maintained that, while it was possible to grant a customs increase for one specific object, we could not reverse this process and prescribe the purposes to which it was not to be applied.

I gather from what M. Neratow said that he was under the impression that we may wish to attach some such condition to our eventual consent to the 4 per cent. customs increase, and that he wishes to warn us that it would be difficult for the Russian Government to follow us in such a course. He subsequently informed me that he had had no further conversations with the German Ambassador on the subject of the draft agreement, but that the negotiations might be resumed in two or three weeks' time when the President of the Council would have been relieved of his parliamentary work by the prorogation of the Council of the Empire.

I have, &c.

GEORGE W. BUCHANAN.

[21966]

No. 106.

India Office to Foreign Office.—(Received June 6.)

Sir,

India Office, June 3, 1911.

IN continuation of the letter of this Office dated the 12th ultimo, as to arrangements for the conservancy of the Shatt-el-Arab, I am directed by the Secretary of State for India to address you regarding the further correspondence marginally quoted* that is now before the Secretary of State for Foreign Affairs.

In so far as concerns the wording of the Treaty of Erzeroum (1848), the Earl of Crewe recognises that it might be taken to imply the right of Turkey to control the Shatt-el-Arab from bank to bank, subject only to free liberty being accorded to Persia to navigate it.

This view might find support in the suggestions of the mediating commissioners in 1850, regarding the boundary in the neighbourhood of Mohammerah. In this connection I am to solicit reference to the correspondence ending with this Office letter of the 26th August, 1910, and to say that the Earl of Crewe does not altogether share the opinion of his predecessor on the question therein discussed. That the Turks are in possession of the commissioners' map, which would appear to assign to them the whole of the river, is undoubtedly inconvenient, as is also the circumstance that the two Powers pressed the Porte in 1850 to accept the commissioners' line. But the Porte declined to do so, and in his Lordship's opinion the situation thus created must be held to be governed by the communication made to them in 1869, when the representatives of the Powers handed in a map on which no line at all was drawn. This identic map seems to have been the basis of all subsequent discussions, and Lord Crewe sees no reason for going behind it, or for permitting the Turks to go behind it, to an earlier map, which their own ill-judged action had caused to be superseded. It might further be pointed out to the Turkish Government, if necessary, that by their rejection of the line proposed in 1850 they have allowed a situation to grow for sixty years in which mid-channel has, without challenge, been accepted by local usage as the boundary, and that this is consequently the *status quo* on the observance of which His Majesty's Government must insist.

* Admiralty to India Office, May 17, 1911; Lieutenant-Colonel Cox to Government of India, Telegraphic, April 25, 1911; Government of India to Viscount Morley, Telegraphic, May 16, 1911.

As regards the approaches to the Shatt-el-Arab, as distinct from the channel, there may be presumed to be no question but that Turkish and Persian rights are regulated by general considerations of international law, instead of exceptional treaty stipulations. Subject, therefore, to any observations of Secretary Sir E. Grey, Lord Crewe does not consider that, as between Turkey and Persia, the case presents any special difficulty.

As regards, however, the privileged position of Great Britain the ground is not so secure. British enterprise has in the past done all, or most, of what has been effected to secure the navigability of the Shatt-el-Arab, but the upkeep of buoys and charts and the provision of lights might have been carried out with greater thoroughness (with the result that the present situation might have possibly been avoided), and it seems certain that, whatever services Great Britain might render in future, they would not be held from any legal standpoint to substantiate a claim upon her part to control the waterway between two independent countries. Lord Crewe would therefore suggest that, while Great Britain may reasonably insist on equitable treatment in view of her past services and the magnitude of her shipping interests, she should admit the legal rights of Turkey and Persia and act as suggested in the telegram of the Government of India dated the 16th instant, namely, induce Persia if possible (1) to object to Turkey's claim to assume the whole control of the river, and (2) to accept Great Britain as her delegate in the matter. The possession of equal influence with Turkey would presumably be sufficient to obtain acceptable arrangements in the Shatt-el-Arab, since otherwise its navigation might be made impossible, and if no international commission were set up the situation would not be so likely to arise in which another European Power might claim to intervene.

As regards the important question raised by the naval commander-in-chief's report as to the superiority of Bussorah as compared with Koweit as the terminus of the Bagdad Railway, Lord Crewe feels some doubt whether the report should in itself be regarded as of a decisive character. Though he speaks with some diffidence on the point, he imagines that there must remain at least an element of uncertainty as to the stability of conditions at the bar, and it is more than likely that in course of time the navigability of the river will be detrimentally affected, if not destroyed, by works of irrigation. The matter appears to call for further careful consideration between the departments concerned.

Copy of this letter is being communicated to the Admiralty and the Board of Trade.

I am, &c
R. RITCHIE.

[22277]

No. 107.

Sir G. Buchanan to Sir Edward Grey.—(Received June 8.)

(No. 165. Secret.)

Sir,

St. Petersburg, June 4, 1911.

I ASKED the Acting Minister for Foreign Affairs this afternoon whether there was any progress to report in the matter of the Russo-German negotiations and whether I might inform you that he would not definitely conclude them without again consulting you.

M. Nératow replied that he had already submitted to you the only point of any real importance, namely, that with regard to the retention or abandonment of the term "Konieh-Bagdad Railway." He had had no further conversations with Count Pourtalès since he had last seen me, and it was his intention not to commit himself with regard to this particular point till the very last, and then to see whether it was possible to retain the word "Konieh" without causing a rupture of the negotiations. He thought that the negotiations would probably last for another two or three months.

On my pressing him to speak of the other articles of the draft agreement, M. Nératow told me that Count Pourtalès had proposed that, as the railway would reach Bagdad in five or six years' time, and as the branch line from Sadijeh to Khanikin would be completed in another two, Russia should engage to construct and finish the Khanikin-Tehran line in two years from the completion of the Sadijeh-Khanikin line, or in ten years from now. This, M. Nératow said, Russia could not

undertake to do, as, in view of the mountainous country through which it would have to pass, it would be impossible to construct it in so short a period as two years. As regards the financing of the line, M. Nératow is apparently in favour of an international syndicate, and the text will probably be modified so as to recognise the right of Russia to invite the participation of foreign capital. His Excellency also seems anxious to keep Germany out of such a syndicate.

M. Nératow said that it would probably be necessary to tone down the text of the article dealing with railways running towards the Russian and Persian frontiers, so as not to offend the susceptibilities of the Porte. The wording of the article would be rendered somewhat vaguer, but, in order to prevent any possible misunderstanding, its real meaning might be explained by an exchange of secret notes.

I suggested that this same procedure might be followed with regard to the words "financial and economic sacrifices," so as to render it quite clear that they conferred on Russia the right to refuse her consent to the 4 per cent. customs increase. M. Nératow, however, declared that this was quite unnecessary, and that any mention of the 4 per cent. customs increase in connection with them would only restrict their scope.

In the course of our conversation M. Nératow informed me that some of the members of the Russian group interested in the trans-Persian Railway would shortly visit London, and enquired whether His Majesty's Government had attached any conditions as to the English financiers with whom they might negotiate. I replied that, so far as I was aware, they were free to negotiate with whatever group of English financiers they pleased, but I presumed that the results of their negotiations would have eventually to be approved by His Majesty's Government.

I have, &c.

GEORGE W. BUCHANAN.

[21676]

No. 108.

Sir Edward Grey to Sir G. Lowther.

(No. 214.)

(Telegraphic.) P.

Foreign Office, June 9, 1911.

BUOYS in Persian Gulf.

Please refer to your telegram No. 52, Commercial, of the 5th June.

You should warn Porte that a war-ship will be sent to the spot under orders to prevent any actual interference or tampering with British buoys.

[21676]

No. 109.

Foreign Office to Admiralty.

(Confidential.)

Sir,

Foreign Office, June 9, 1911.

WITH reference to your letter of the 29th ultimo, relative to the question of the buoyage and lighting of the Shatt-el-Arab, I am directed by Secretary Sir Edward Grey to inform you that he has received a telegram from His Majesty's Ambassador at Constantinople from which it appears that there is a danger that the Turkish local authorities at Bussorah may attempt to remove the British buoys which have been placed at the bar of that river.

I am accordingly to request that the Lords Commissioners of the Admiralty may be moved to send immediate instructions for the dispatch to the spot of one of His Majesty's ships with orders to prevent, if necessary, any tampering or actual interference with British buoys.

I am to add that Sir E. Grey has addressed a telegram to Sir G. Lowther to warn the Sublime Porte that these instructions will be given.

It will only be necessary for the ship to visit the spot and ascertain that the buoys have not been interfered with. Sir E. Grey recognises the inconvenience of keeping a ship at the place, but he thinks the fact of a ship having been sent, even if it does not remain for more than a day or two, will, combined with the warning given by Sir G. Lowther, probably deter the Turks from interfering with the buoys.

I am, &c.

LOUIS MALLET.

[22788]

No. 110.

Sir G. Barclay to Sir Edward Grey.—(Received June 12.)

(No. 81.)

Sir,

Tehran, May 31, 1911.

ON receipt of your telegram No. 132 of the 4th instant I prepared a note to the Persian Government in the sense of your instructions, but before presenting it I showed it to the Minister for Foreign Affairs in order to ascertain whether any change of wording would be more likely to meet with a favourable response.

His Excellency reminded me that his willingness to enter into negotiations with a British group applied to railway construction in general in Persia, and not specially to railway construction in the south. This was quite true, and, as I thought that to take note of such an assurance might be not altogether pleasing to my Russian colleague, I redrafted my note, omitting any reference to his Excellency's previous assurance.

I enclose a copy of this communication.

I have, &c.

G. BARCLAY.

Enclosure in No. 110.

Sir G. Barclay to Persian Minister for Foreign Affairs.

M. le Ministre,

Tehran, May 25, 1911.

I DID not fail to convey to the Secretary of State for Foreign Affairs the contents of your Excellency's note of the 22nd April last, and I am now directed by him to state that he quite appreciates the point of view of the Persian Government in not wishing to grant an option for a railway in Persia to a foreign Government.

He presumes, however, that when the Persian Government desire to undertake the construction of a line from Mohammerah, or of any other southern line, they will enter into negotiations with a British syndicate.

I avail, &c.

G. BARCLAY.

[23056]

No. 111.

Government of India to the Earl of Crewe.—(Communicated to Foreign Office, June 12.)

(Telegraphic.) P.

June 8, 1911.

PERSIAN Gulf surveys. See your telegram dated the 15th May, 1911.

Reference is invited to correspondence enclosed in weekly letters dated the 20th and the 27th April, respectively, from Secretary to Government of India, Foreign Department.

Arrangements to ensure survey work being begun at earliest possible date next season are being made. My personal view is that areas which it is proposed to omit should be surveyed. It would, in my opinion, be well to show the Turks, if our negotiations with them are likely to prove abortive, that our claims in the Gulf are not going to be neglected by us. Your instructions are solicited, as I am not precisely aware how negotiations stand at present.

[23002]

No. 112.

*Enclosure in India Office Letter.—(Received June 13.)**The Government of India to the Earl of Crewe.*

(Telegraphic.) P.

June 10, 1911.

FOLLOWING report, dated the 6th instant, received from consul at Bussorah:—

"Impression is growing, though I have no definite information, that Turkish authorities will attempt to remove British buoys from bar unless action is taken on our part."

If necessary, Admiral will no doubt act on instructions which he has already received (see telegram dated the 2nd March, 1911, from Admiralty), that no interference with existing British buoys is to be allowed.

21244]

No. 113.

Sir A. Nicolson to Mr. Huth-Jackson.

Dear Mr. Huth-Jackson,

Foreign Office, June 14, 1911.

I BEG to acknowledge with thanks the receipt of your letter of the 31st May on the subject of the proposed trans-Persian railway.

If you have any fear that M. Timiriazoff and his colleagues may think your silence discourteous, I suggest that you might write to him saying that you have not answered their letters because you understand that the views of His Majesty's Government have already been communicated to the Russian group through the embassy at St. Petersburg.

Yours sincerely,

A. NICOLSON.

[23549]

No. 114.

Mr. Greenway to Foreign Office.—(Received June 16.)

Winchester House, Old Broad Street, London,

June 15, 1911.

Dear Mr. Mallet,

I AM obliged for your letter of the 13th, and note what you write about obtaining an option for constructing a port at Khor Musa. This, I think, is covered by the telegram I purpose sending (copy enclosed), subject to some further discussion to-morrow with Sir Thomas Jackson, who wishes to join the Imperial Bank of Persia in the syndicate.

Meantime, Mr. H. B. Lynch was asked to meet us to discuss the question of transport in Persia, and *à propos* of this I enclose copy of a somewhat amusing letter which may interest you.* This was handed to me by F. C. Strick and Co.

Yours truly,

C. GREENWAY.

Enclosure in No. 114.

Proposed telegram to be dispatched to Mr. Brown (Tehran) by Mr. Greenway.

APPLY in the name Persian Railway Syndicate for concession for three light 2-ft. 6-in. railways, first from the littoral, probably Mohammerah and (or) Khor Musa to Khorremabad, second from Bunder Abbas to Kerman, third from Bunder Abbas to Shiraz, to be constructed in this order according to Persian Government's ability to provide guarantee. Capital would be provided by 5 per cent. bonds at 87½, same as loan, interest being guaranteed by Persian Government, and secured firstly by first charge on railway and receipts, and secondly by any tangible Government present or future revenue available for hypothecation. For this secondly suggest special 4 per cent. increase in southern customs or any other increased tariff. Amount of bonds must suffice at net price to cover first, cost of survey; second, cost of construction and equipment, including cost of wharves, jetties, &c., at port; and third, interest and administration expenses during construction. You must stipulate for first, British control, construction, and British management; second, free hand in appointing surveying and constructing engineers and contractors; third, appointment of Lloyd Scott, and Co. as managing agents.

* Not printed.

[1501]

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[23552]

No. 115.

Enclosures in India Office Letter communicated to Foreign Office, June 16, 1911.

(1.)

Lieutenant-Colonel Cox to the Government of India.

(Confidential.)

Bushire, May 3, 1911.

IN amplification of my telegram of the 30th April, I have the honour to forward, for the information of the Government of India, copies of letter, dated the 19th April, 1911, from the political agent, Koweit (which crossed me as I was *en route* to Koweit), and translations of two letters in Arabic and German received by Sheikh Mubarek from Herr Clone, the German consul at Bussorah, and Mr. Brown, of Messrs. Wöneckhaus respectively, on the subject of the latter's desire to send an agent to Koweit.

(2.)

Captain Shakespear to Lieutenant-Colonel Cox.

(Confidential.)

Koweit, April 19, 1911.

I have the honour to report that, when he came to see me this morning, Sheikh Mubarek informed me that about ten days ago he had received a letter from the German consul in Bussorah, accompanying another from Messrs. Robert Wöneckhaus and Co., praying for permission to open a branch of their business in Koweit.

2. The letters were brought by a man of the name of Abdulla-bin-Ustad Ahmed, who said he was Messrs. Wöneckhaus's agent and purchased skins and furs for the firm. He was not a Koweit man and is not known here.

3. The sheikh brought his secretary with him and had the letters read over to me. That from the German consul merely recommended Messrs. Robert Wöneckhaus and Co. as merchants who traded at other ports in the Gulf and wished to open an agency in Koweit, to which they would appoint a Koweit man who would trade in the same articles as the firm dealt with elsewhere. The consul hoped that the sheikh would accord the requisite permission, and that in case of necessity he would find the firm useful to him. The consul's letter was dated the 3rd Azar, 1911 (Turkish calendar), and the address and superscription were given as "Sheikh Mubarek Pasha-bin-Subah," the Turkish title of kaimakam not being employed. The Arabic letter was written in parallel columns with a German translation, and I regret I was unable to decypher the signature. Messrs. Wöneckhaus's letter was to much the same effect.

4. The sheikh enquired from me what answer he should return, for he must send some reply to the representative of a foreign Government, and though he could deal easily enough with Arabs and Turks he preferred to have British advice in this case. I replied that, without reference, I was not prepared to frame an answer for him, but no doubt he knew as well as myself that all German trade in the Persian Gulf at present was carried on for political ends, and that this particular firm traded in a manner which left little doubt that their losses must be guaranteed by the German Government. In the circumstances it appeared to me as an obvious effort to open the way to German trade and influence, and he probably knew that, though the opening of such a door was easy, it frequently led to future difficulties, and he might find the subsequent closing of it difficult. No doubt he would be able to return a polite answer without my assistance while I addressed the political resident on the subject.

5. In this connection I would invite a reference to my predecessor's letter dated the 3rd September, 1907, and beg that early instructions may be sent to me.

(3.)

Herr Ackloni (German Consul) to Sheikh Mubarek Pasha.

(Translation.)

Bussorah, 23 Adhai, 911.

I have the honour to inform your Excellency that the firm of Messrs. Robert Wöneckhaus and Co. desire to open a branch of business in your flourishing town, and that it will have for the present to be under the agency of one of the natives of that

place. The object of (doing) this is to transact business on general lines similar to the business which they carry on in the Gulf, and I shall be extremely grateful to you to permit the opening of this agency, and meanwhile to assist the firm in case of exigency and need.

I trust that you will deign to accept this my request, and I beg to offer you my high regards in advance.

(4.)

Messrs. Wöneckhaus and Co. to Sheikh Mubarek Pasha.

(Translation.)

Bussorah, 23 Adhai, 911.

After offering due respects, we have the honour to represent to your Excellency that, relying on a letter (of recommendation) from the German consul, we have to inform your Excellency that we have appointed as our agent in business Abdulla-bin-Ustad Ahmed, who is also empowered to appoint an agent to assist him, and who is likewise authorised to enter into all sorts of commercial transactions. We hope that you will co-operate with our agent in this object, and that you will pay him your attention with a view to assisting him in the requirements of business and show him courtesy and kindness, it being our highest wish and desire to obtain your protection, so that we may by that means gain the satisfaction of the public and their favour, because the basis of our object is the extension of commerce, as has been done by us in all places.

We are thankful to you in advance for your courtesy and kindness, and are ready to render such services as you may do us the honour to refer to us.

[23780]

No. 116.

Sir G. Lowther to Sir Edward Grey.—(Received June 19.)

(No. 412.)

Sir,

Therapia, June 14, 1911.

I HAVE the honour to report that I have, in accordance with the instructions contained in your telegram No. 214 of the 9th instant, warned the Sublime Porte that a ship of war will be sent to visit the spot where British buoys have recently been laid at the head of the Persian Gulf, with instructions to prevent any tampering with these buoys.

I have now received a telegram from His Majesty's consul at Bussorah, dated the 11th June, in which he informs me that the "Marmaris" has been dispatched up the Euphrates to make a demonstration against the Arab tribes, and that there is little likelihood of any attempt being made for the present to move the buoys.

I have, &c.

GERARD LOWTHER.

[23549]

No. 117.

Foreign Office to India Office.

(Secret.)

Sir,

Foreign Office, June 20, 1911.

I AM directed by Secretary Sir Edward Grey to transmit to you herewith, to be laid before the Earl of Crewe, the draft of a telegram applying on behalf of the Persian Railway Syndicate for a concession from the Persian Government, which has been communicated to this department by Mr. Greenway, of the Anglo-Persian Oil Company.

Lord Crewe will observe that the lines for concession of which Mr. Greenway proposes to apply are substantially those for which His Majesty's Government intended to apply themselves, with the exception that the line from Bushire via Aliabad to a point on the Bunder Abbas-Shiraz-Ahwaz line is omitted and that the Bunder Abbas-Shiraz line is apparently not to be extended to Mohammerah or Ahwaz.

The omission of the line from Bushire via Aliabad to a point on the Bunder Abbas-Shiraz-Ahwaz line is in accordance with the recommendation of the Government of India (see Viceroy's telegram of the 23rd February last) but Sir E. Grey would

propose, subject to the concurrence of Lord Crewe, to point out to Mr. Greenway that His Majesty's Government attach importance to the establishment of communication between Bunder Abbas and Mohammerah.

He would further point out to Mr. Greenway that His Majesty's Government cannot pledge themselves to agree to an increase of the southern customs, which would affect British and British Indian trade for the greater part and which would require the consent of other Powers, and he would therefore suggest the omission from the telegram of the mention of the 4 per cent. increase proposed.

I am, &c.
LOUIS MALLET.

[25098]

No. 118.

Sir Eduard Grey to Mr. Marling.

(No. 179.)

Sir,

Foreign Office, June 27, 1911.

WITH reference to my despatch No. 132 of the 6th ultimo, I have to inform you that Sir Arthur Nicolson, in the course of a conversation which he had on the 16th instant with the Turkish Ambassador, explained to his Highness the causes of the delay on the part of His Majesty's Government in replying to the Turkish proposals in regard to the Gulf section of the Bagdad Railway.

Tewfik Pasha replied that he quite understood the reasons of the delay, and said that he had already told Rifaat Pasha that he must not expect a reply for some time to come.

I am, &c.
E. GREY.

[25243]

No. 119.

Enclosures in India Office Letter (Received at Foreign Office, June 28, 1911.)

(1.)

Lieutenant-Colonel Cox to Government of India.

(Confidential.)

Bushire, May 14, 1911.

I HAVE the honour to forward, for the information of the Government of India, a copy of a communication and enclosure which I have addressed to His Majesty's Minister, Tehran, regarding the railway question at Mohammerah (with reference to the correspondence ending with the Government of India's reply, dated the 14th April, to my telegram of the 7th idem).

(2.)

Lieutenant-Colonel Cox to Sir G. Barclay.

Bushire, May 14, 1911.

With reference to the correspondence ending with my telegram, dated the 6th April, I have the honour to forward herewith copy of a note recorded by His Majesty's consul, Mohammerah, on the subject of Sir Khazal Khan's attitude towards the railway question as now presented to him.

On the last occasion on which I touched upon this topic with the sheikh, he had no very clear ideas as to what it might or might not portend for him and left himself in our hands. Since then his ideas have evidently developed somewhat.

I merely send on this note for your Excellency's information. I will address you further should the need arise to make a reference on any of the specific points raised in Captain Haworth's note.

[24274]

No. 117*.

Papers communicated by India Office, June 21.

(1.)

Director, Royal Indian Marine, to the Government of India.

Bombay, May 15, 1911.

WITH reference to paragraph 3 of Marine Department letter, dated the 17th January, 1911, I have the honour to inform you of the description of the buoys placed at the Shat-el-Arab, as under:—

Old bar buoy: A large, starboard hand red, conical buoy, surmounted by a basket, it marks the south-east edge of Abadan Bank. Position: N., $43\frac{1}{2}^{\circ}$ W. from gas buoy, distance 1.8 miles.

No. 1: Large, black, can, port hand buoy, surmounted by a Turkish flag, this buoy is not quite in the most advantageous position, and more reliance should be placed in the adjacent No. 2 buoy. Position: N. 48° W. from gas buoy, distance: 2.05 miles.

No. 2: Black, port hand buoy, it marks the south-east corner of Abdalla Bank. Position: N. 46° W. from gas buoy, distance: 2.1 miles.

No. 3: Black, port hand buoy, it marks the eastern edge of Kola patch. Position: N. 47° W. from gas buoy, distance: 2.65 miles.

No. 4: Black, port hand buoy (formerly known as Burger's buoy). Position: N. 48° W. from gas buoy, distance: 3.95 miles.

No. 5: Small, black, port hand buoy, surmounted by the Turkish flag. Position: N. 47° W. from gas buoy, distance: 5.8 miles.

No. 6: Large, black, can, buoy (port hand), surmounted by the Turkish flag. Position: N. $44\frac{1}{2}^{\circ}$ W. from gas buoy, distance: 7.4 miles.

No. 7: Small, black, can, port hand buoy. Position: N. 44° W. from gas buoy, distance: 7.58 miles.

No. 8: Small, black, port hand buoy, surmounted by a Turkish flag. Position: N. 44° W. from gas buoy, distance: 9.32 miles.

No. 9: Large, black, can, port hand buoy, surmounted by a Turkish flag, this buoy is on the western side of the inner bar, and marks the turning point for altering course into Fao. Position: N. $44\frac{1}{2}^{\circ}$ W. from gas buoy, distance: 11.05 miles, or S. 69° E. from Fao, F.S., distance: 6.32 miles.

Inner bar buoy: This buoy is not yet in position, it will be a red, starboard hand buoy, and is intended to mark the eastern side of the inner bar, it should be placed by to-morrow, the 16th instant. Indicated position: N. 42° W. from gas buoy, distance: 11.17 miles.

With reference to paragraph 4 of your letter under reference, a report from the officer commanding R.I.M.S. "Palinurus" is herewith forwarded as regards the automatic acetylene gas buoy at the outer bar of the Shat-el-Arab River.

The position of the gas buoy is as under:—

S. $53\frac{1}{2}^{\circ}$ E. from Fao, F.S., distant, 16.96 miles.

(2.)

Officer Commanding R.I.M.S. "Palinurus" to Director, Royal Indian Marine.

Bombay, May 7, 1911.

IN accordance with instructions from the officer in charge marine survey of India, I have the honour to reply as follows to your reference sheet No. 3020, dated the 4th May, 1911.

[1501]

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The acetyline gas buoy recently established at the outer bar of the Shat-el-Arab River, is visible at a distance of 7 nautical miles in clear weather, from a height of 15 feet.

The light was once observed from the navigating bridge of His Majesty's ship "Highflyer" from a distance of 10 miles.

The buoy is of very great utility, as it enables vessels to make the entrance at night, and if a moonlight night it is possible from there to proceed up the river, thus saving a tide.

Note by His Majesty's Consul, Mohammerah, on Sheikh Khazal's Attitude towards the Railway Question, dated May 2, 1911.

I saw the sheikh yesterday at Idrisieh and had a long talk with him. I do not think that the fact of our asking for a railway concession came to him as a great surprise, railways have been too much in the air recently. He stated, however, that a railway would not be a benefit to him, and said that he did not see how he was going to benefit by the opening up of his country, in fact, he said, the more his country was opened up, especially by a railway, the more accessible he became to the Persian Government and the more they could worry him; with a railway they could easily send a couple of regiments down on the pretext of guarding the frontier but really to curb his power.

Further, he lost monetarily, for his country became much more expensive, and where formerly his guards and sowars wanted a kran they now asked for a toman, but that his receipts were no larger. The customs—his old complaint—increased steadily and he kept his country quiet, but though his responsibilities, and with them his expenses, became greater his own incomings did not increase. In fact, the very fact of his good government became at times a loss to him; the Bakhtiari country was unsettled and badly governed, therefore the Bakhtiari got 3 per cent. on the profits of their oil company working on their lands. I encouraged him to make all the complaints he wished to in order to get at his mind. He also complained that the question of the arms for him had been delayed for two months. I had sent a reminder on this subject. The Minister replied that owing to the Cabinet crisis it had been impossible to get a reply, but the matter would be again raised.

The sheikh accepts the railway as a thing which has got to come, but is most anxious to know what benefit he is going to get out of it, and stated that whatever land might be taken up within his district he might be paid in shares in the railway company and not in cash.

I explained to him that there was no immediate prospect of the project being taken up, but pointed out to him on the general question of the railway that, since the railway was a thing which was likely to come, how much better it was that the option for it should be in our hands, a point to which he readily agreed. He told me that there had been a question of the Persians taking it up for themselves.

Finally, he said that he would very much like to talk the matter over with you with reference to the point that he will get his share of the pickings: the fact that his land will go up enormously in value does not seem to appeal to him, or rather, I should prefer to say, that he does not wish to admit that it appeals to him.

His complaints regarding money matters dovetail badly with the rest of his ambitions, but under present circumstances have, to my mind, a good deal of foundation. He receives, he tells me, only 7,000 toman per annum for a regiment of Baluchis. He would seem to me to have a claim against the Persian Government for an increase of allowances for keeping the country in order. It seems that he might well demand some allowance from the customs dues for the protection which he gives both to the customs-houses and to the roads which pass through his districts, and which convey goods not for his benefit but for the benefit of Tehran, Ispahan, and other parts of Persia, *vide* the reference in the telegram which the Minister of Finance is to send the sheikh with regard to the installation of a Belgian at Nasiri.

[25419]

No. 120.

Mr. Marling to Sir Edward Grey.—(Received June 30.)

(No. 440.)

Sir,

Therapia, June 26, 1911.

WITH reference to my despatch No. 438 of the 23rd June, I have the honour to inform you that His Majesty's acting consul at Bussorah reported by telegraph on the 23rd instant that His Majesty's ship "Alert" left Bussorah on that day.

I have, &c.

CHARLES M. MARLING.

[25433]

No. 121.

India Office to Foreign Office.—(Received June 30.)

Sir,

India Office, June 29, 1911.

I AM directed by the Secretary of State for India to acknowledge the receipt of your letter of the 20th instant regarding the proposed application by the Persian Railway Syndicate for a concession from the Persian Government.

The Earl of Crewe does not understand that there is any question of His Majesty's Government actively supporting the application, and therefore presumes that the case contemplated in the second paragraph of the British *aide-memoire* to the Russian Government of the 18th March last does not arise, and that it is not necessary at present to engage in a detailed discussion with that Government.

As regards the terms of the draft telegram, Lord Crewe observes that the proposed railways are to be light railways of 2 ft. 6 in. gauge. The question of gauge is of importance, especially on the Bunder Abbas-Kerman line, which will be a valuable adjunct, strategically and commercially, of the Trans-Persian Railway, should that railway ever be constructed. It is for consideration whether it should not be stipulated that provision should be made in the construction of this line for the eventual widening of the gauge.

Lord Crewe entirely agrees with Sir E. Grey as to the importance of securing at all events the possibility of communication between Bunder Abbas and Mohammerah, since the existence of a line from the former place ending at Shiraz might be an inducement to the Bagdad Railway to extend in that direction. He therefore considers that the concession should be applied for, even though the line may not be immediately constructed.

His Lordship further shares Sir E. Grey's objection to the proposed 4 per cent. increase in the southern customs, but rather because it gives other Powers a *locus standi* for creating difficulties than on the ground of any injustice to British or Indian trade. It might be left to the ingenuity of the American advisers of the Persian Government to suggest an alternative.

As regards the Bushire-Aliabad-Shiraz line, Lord Crewe, without at present committing himself to the opinion that it would be useless, sees no objection to its being excluded from the proposed application.

I am, &c.

R. RITCHIE.